



Business Turnaround and Recovery

Annual Report 2023/24

*Driving Recovery Through Job Retention and
Creation*





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List of Abbreviations

BT&R	Business Turnaround and Recovery
CMT	Cut, Make and Trim
COVID-19	Coronavirus disease
CRM	Customer Relationship Management
CTLF	Clothing, Textiles, Leather and Footwear
DEL	Department of Employment and Labour
ERRP	Economic Reconstruction and Recovery Plan
FF	Future Forum
GP	Gross Profit
GWC	Garner Wafers and Confectionery
GRAP	Generally Recognised Accounting Standards
GVA	Gross Value Added
HR	Human Resources
KZN	KwaZulu-Natal
M&E	Monitoring and Evaluation
MD	Managing Director
MSS	Manufacturing Summary Sheet
NP	Net Profit

OEE	Overall Equipment Effectiveness
OEMs	Original Equipment Manufacture
OP	Operating Profit
PFF	Proactive Future Forums
PPC	Personal Protective Clothing
PWDs	People Living with Disabilities
RGN	Region
SACTWU	Southern African Clothing and Textile Workers' Union
SARS	South African Revenue Service
SEE	Supported Employment Enterprises
SLA-S	Supplier Service Level Agreement System
TFG	The Foschini Group
TUT	Tshwane University of Technology
UIF	Unemployment Insurance Fund
VMS	Visual Management System
WC	Western Cape
WIL	Work Integrated Learning
WPC	Workplace Challenge Programme

1. Objectives of the Business Turnaround & Recovery Programme

The Business Turnaround and Recovery Programme (BT&R) originated in the Declaration of the Presidential Jobs' Summit in October 1998. Its mandate is derived from the Employment Services Act, with specific relevance to Section 32g, which is to support initiatives aimed at preventing job losses. This mandate is furthermore empowered by Section 5d of the Unemployment Insurance Act (as amended).

The BT&R vision is to save jobs and create conditions conducive for job retention and job creation. BT&R capacitates and enables companies and employees to be more vigilant about issues relating to job retention and to mitigate against poor performance or productivity decline, which increases the likelihood of job losses.

The programme capacitates employees to be agents of change and to be equipped to identify early-warning signs. The programme is intended to provide turnaround strategies to support different organisations across all sectors facing economic distress. Economic distress refers to financial or operational difficulties which may result in an employer contemplating the dismissal of employees based on its operational requirements. The programme focuses on saving and retaining existing jobs, as well as increasing productivity and profitability.





2. Message from the Acting CEO

I am pleased to present to you the 2023/24 Business Turnaround and Recovery Programme (BT&R) Annual Report. Despite the challenging economic environment South Africa has found itself in over the past year, the BT&R Programme has managed to make a significant impact, accomplishing all the targets and commitments within the funding agreement signed with the Unemployment Insurance Fund (UIF).

The year under review saw an increased focus on building and strengthening strategic partnerships, which enabled a credible pipeline and provided Productivity SA and BT&R Programme clients with an all-encompassing and sustainable solution. The aim of the BT&R intervention in client companies was to provide clients with non-financial support solutions, through the BT&R Programme, as well as financial support options, through Finance Development Institutions (FDIs). Productivity SA believes that continuous collaboration with our strategic stakeholders is vital to ensure the success of the BT&R Programme, and sustainable transformation of the micro-economic environment within South Africa.

The BT&R Programme furthermore successfully managed to establish systems and processes that improved the efficiency and effectiveness of programme delivery.

Notable highlights for the year include:

- Making it mandatory for every business that received Temporary Employee Relief Scheme (TERS) to implement the BT&R Programme.
- Improved execution of the BT&R Acceleration Plan to ensure sufficient and effective delivery of BT&R services.
- Turnaround strategies not only preserved jobs but also led to the creation of 1 717 new jobs.
- Continued revision and update of the Standard Operating Procedure (SOP) for improved governance and compliance.

“

Despite the challenging economic environment South Africa has found itself in over the past year, the BT&R Programme has managed to make a significant impact, accomplishing all the targets and commitments within the funding agreement signed with the Unemployment Insurance Fund (UIF).”

- Ms Amelia Naidoo

- Embedding monitoring and evaluation systems and processes, enabling the effective tracking and monitoring of BT&R Programme performance.
- Increased focus on internal implementation and taking control of BT&R projects and outcomes.

The three main indicators of the BT&R Programme's performance are the number of companies nurtured, the number of jobs retained, and the number of Future Forum members and Productivity Champions trained. From the inception of the funding agreement with the UIF in 2020, BT&R have nurtured 257 companies, 83 (48%) more companies than the target of 174 agreed to in the BT&R Programme and UIF funding agreement. The programme has saved 21 102 jobs, resulting in 12 402 (143%) more jobs being saved than the target of 8 700 according to the funding agreement. Finally, the BT&R Programme has capacitated 2 600 employees, 2 078 (398%) more employees than the target of 522 as stipulated in the funding agreement.

It is important to note that, despite all the achievements mentioned, our work was not without its challenges. The lasting effects of the July 2021 unrest countrywide, prolonged power cuts and the floods that hit KwaZulu-Natal (KZN) in 2022 were but a few of the challenges that faced companies and the BT&R Programme. Small and medium-sized enterprises (SMEs) in South Africa are limited by persistent power cuts (load shedding), resulting in a loss of revenue and production time. Without alternative power systems, most enterprises are forced to work according to the ever-changing load shedding schedule, resulting in reduced productivity, a loss in revenue and contemplation of retrenchments. Added to that, the lingering effects of the global pandemic that was COVID-19 led to a national state of disaster.

In the current economic climate, meeting legislative and compliance obligations, such as being in good

standing with the UIF and the South African Revenue Service (SARS), is a consistent challenge for enterprises. Distressed businesses continue to prioritise financial relief as opposed to non-financial solutions.

In the 2024/25 financial year, the following areas will be prioritised:

- 1) Strengthening our relationships with FDI's strategic partners to ensure the BT&R Programme can introduce its clients to financial support options.
- 2) Co-development of a new funding agreement with the UIF.
- 3) Strategically positioning the BT&R Programme to ensure that the programme is agile and flexible to respond to market demands.
- 4) Review and update BT&R products to ensure best practices are built into BT&R Programme solutions, setting our clients up for success.

In conclusion, I would like to take this opportunity to thank all our strategic partners and stakeholders for their hard work and efforts during the year under review.

I would like to thank the Department of Employment and Labour (DEL) for its consistent and unwavering support that enables the funding agreement with the UIF as an entity of DEL to proceed smoothly. To the management team and staff of BT&R and Productivity SA at large, I would like thank you for your perseverance and dedication – as I am convinced that collectively we have laid a solid foundation on which the BT&R Programme can continue to build in strength, capacity and reach.

Ms Amelia Naidoo

Productivity SA Acting Chief Executive Officer (ACEO)





3. Business Turnaround and Recovery Team



Head Office Team



Mr Justice Tshifularo
Executive Manager: Business
Turnaround & Recovery



Ms Leressa Samuel
Senior Programme Administrator
Business Turnaround & Recovery



Ms Caroline Muzenda
Secretary



Ms Lufuno Tshikosi
Monitoring & Evaluation Specialist



Ms Chantell Beyers
Business Turnaround &
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Mr Neo Lekaowa
Senior Productivity Practitioner

Regional Operation 1

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Ms Lalane Janse Van Rensburg
Executive Manager:
Regional Operations (Region 1)



Ms Fulufhelo Madzhie
Senior Manager:
BT&R (Region 1)



Ms Palesa Magumashole
Regional Coordinator



Ms Yvonne Magodi
Senior Productivity Practitioner



Ms Onalenna Tihakanye
Senior Productivity Practitioner



Mr Derek Gouws
Senior Productivity Practitioner



Mr Kenny Ramukhubathi
Senior Productivity Practitioner



Mr Sibusiso Kunene
Senior Productivity Practitioner



Mr Fanele Mbamba
Senior Productivity Practitioner



Ms Mpho Matjeke
Senior Productivity Practitioner

Regional Operation 2

(Western Cape, Northern Cape & Free State)



Mr Philiswa Mnguni
Executive Manager:
Regional Operations (Region 2)



Ms Christel Potgieter
Acting Senior Manager:
BT&R (Region 2)



Ms Veliswa Dywili
Regional Coordinator



Mr Cosmo Cloete
Senior Productivity Practitioner



Ms Marizanne Maritz
Senior Productivity Practitioner



Mr Steven Otto
Senior Productivity Practitioner



Mr Chris Bondo
Senior Productivity
Practitioner



Mr Marthinus De Vos
Senior Productivity
Practitioner



Mr Cedric Lottering
Senior Productivity
Practitioner



Mr Mxolisi Coki
Senior Productivity
Practitioner

Regional Operation 3

(KwaZulu-Natal, Eastern Cape & Mpumalanga)



Ms Amelia Naidoo

Acting Executive Manager:
Regional Operations (Region 3)



Dr Willem Bester

Acting Senior Manager:
BT&R (Region 3)



Ms Julitha Rakale

Senior Productivity Practitioner



Ms Zipho Magagula

Productivity Practitioner



Mr Thembinkosi Mngoma

Productivity Practitioner



Mr Mhlengi Meyiwa

Productivity Practitioner



Mr Singobile Shoba

Productivity Practitioner



Mr Wellington Sithole

Productivity Practitioner

4. Overview of the Business Turnaround & Recovery Programme

4.1 Background

Economic Overview

The BT&R Programme's performance and goals are largely affected by the prevailing economic environment in the country. Over the next three years, South Africa's economy is forecast to grow at an average of 1.6%, a moderate improvement on the 1.4% average expected at the time of the release of the 2023 Medium-Term Budget Policy Statement. This outlook is supported by an expected recovery in household spending as inflation declines, and an increase in energy-related fixed investments.

Power cuts and operational problems in freight rail and ports continue to disrupt economic activity and limit the country's export potential. Comprehensive reforms are under way in these sectors, although it will take time to see a recovery in growth.

Household consumption is under pressure from high living costs, and investment remains low due to weak confidence and challenging business conditions linked to structural constraints. South Africa has experienced over a decade of weak economic growth, with only 0.8% annual growth since 2012, which entrenches high levels of unemployment and poverty.

Sector Performance and Outlook

According to the National Treasury Budget Review Report, some of the broader trends in the country's economic sectors are:

Agriculture

In 2023, the agricultural sector's Gross Value Added (GVA) decreased by 3.2% in the first three quarters compared with the same period in 2022. Load shedding, animal diseases (foot and mouth, African swine fever and avian flu), localised flooding and declining grain prices hampered growth in the sector. Although the anticipated El Niño weather cycle could affect the sector, its effects are expected to be less severe than in 2015.

In 2024, agriculture is likely to see moderate growth as grain production normalises from record highs and the livestock sector recovers from diseases. However, continued transport and port constraints will continue to exert pressure on the sector.

Mining

GVA in the mining sector contracted by 1.6% in the first three quarters of 2023 compared with the same period in 2022. Production continued to be suppressed by domestic constraints, including power cuts and transport failures that reduce export capacity. Safety stoppages, strikes and crime also weighed on production.

Mining sales declined by 14.9% over the same period in response to weaker global demand. In 2024, domestic constraints will maintain pressure on the mining sector.

Manufacturing

In the first three quarters of 2023, the manufacturing sector saw a marginal 0.2% increase in GVA compared to the same period in 2022. It remained below pre-pandemic levels due to energy and transport constraints.

Despite this, sales grew by 9.7%, driven by demand for petrochemicals and vehicles. The sector faces a subdued 2024 outlook, hampered by persistent supply-side issues, variable export growth and weaker European demand.

Construction

In 2023, the construction sector grew by 2.6% in the first three quarters compared with the same period a year earlier, marking a recovery from six years of contraction. Growth resulted mainly from increased activity in civil construction, while the building sector remained sluggish due to low demand for new residential buildings and elevated interest rates. Growth in gross fixed-capital formation is expected to continue into 2024, although from a low base.

Utilities

The electricity, gas and water sector contracted by 5.4% in the first nine months of 2023 compared with the same period in 2022, mainly due to Eskom constraints and delays in new generation capacity procurement. The electricity crisis is likely to boost demand for alternative energy sources in 2024, while reducing power cuts and securing new generation capacity remains crucial for long-term energy security.

Transport

The transport, storage and communication sector grew by 4% in the first nine months of 2023, compared with the same period in 2022. Due to bottlenecks in rail infrastructure, there was a marked substitution from rail to road – a pattern that is expected to reverse as the rail network is improved. In telecommunications, the rollout of digital infrastructure has enabled new investment in the sector and an improvement in the quality of broadband internet.

Trade, catering and accommodation

In the first nine months of 2023, the trade, catering and accommodation sector saw a 1.6% drop in GVA year-on-year. High borrowing costs and inflation affected household finances, leading to shifts in spending. However, sales in clothing, footwear and household items grew. Power cuts necessitated dining out, boosting the restaurant and hospitality sector. Overall, the sector's recovery is tied to improved incomes and consumer confidence.

Finance and business services

In the first nine months of 2023, the finance, real estate and business services sector grew by 0.9% compared with the same period in 2022. Banks effectively managed the rise in non-performing loans and credit losses, particularly in retail lending and mortgages. Their capital adequacy ratios, liquidity and leverage remained well above minimum prudential requirements, showing resilience despite moderate growth. To turn the tide and raise economic growth sustainably, government is prioritising energy and logistics reforms, along with measures to arrest the decline in state capacity. Successful efforts to improve the fiscal position, complete structural reforms and bolster the capacity of the state will, in combination, reduce borrowing costs, raise confidence, increase investment and employment, and accelerate economic growth.

4.2 Employment Overview

According to Statistics South Africa (Stats SA), the overarching employment trends in South Africa are:

The unemployment rate moderated to 31.9% in the third quarter of 2023, its lowest level in three years. That quarter marked the first time that employment exceeded pre-pandemic levels, with 325 000 more jobs than in the fourth quarter of 2019. However, joblessness remained extremely high, with the pace of employment creation expected to moderate in 2024. To date, job recovery has been led by the community and social-services sector. Faster economic growth is needed for a significant and sustainable increase in private-sector jobs.

The official unemployment rate was 32.1% in the fourth quarter of 2023. The results of the Quarterly Labour Force Survey indicated that the number of employed persons decreased by 22 000 to 16.7 million in the fourth quarter of 2023 compared to the third quarter of 2023.

The number of unemployed people increased by 46 000 to 7.9 million during the same quarter. Additionally, the number of people who were not economically active for reasons other than discouragement increased by 218 000 to 13.4 million, while discouraged work-seekers decreased by 107 000 in the fourth quarter of 2023 compared to the third quarter of 2023. This resulted in a net increase of 111 000 in the population that is not economically active.

The above changes in employment and unemployment resulted in the official unemployment rate increasing by 0.2% from 31.9% in the third quarter of 2023 to 32.1% in the fourth quarter of 2023. The unemployment rate, according to the expanded definition, decreased by 0.1% point to 41.1% in Q4: 2023 compared to Q3: 2023.

Unemployment requires reforming labour market policies and implementing a strategy that takes into consideration the youth of the country.

5. Business Turnaround & Recovery Process

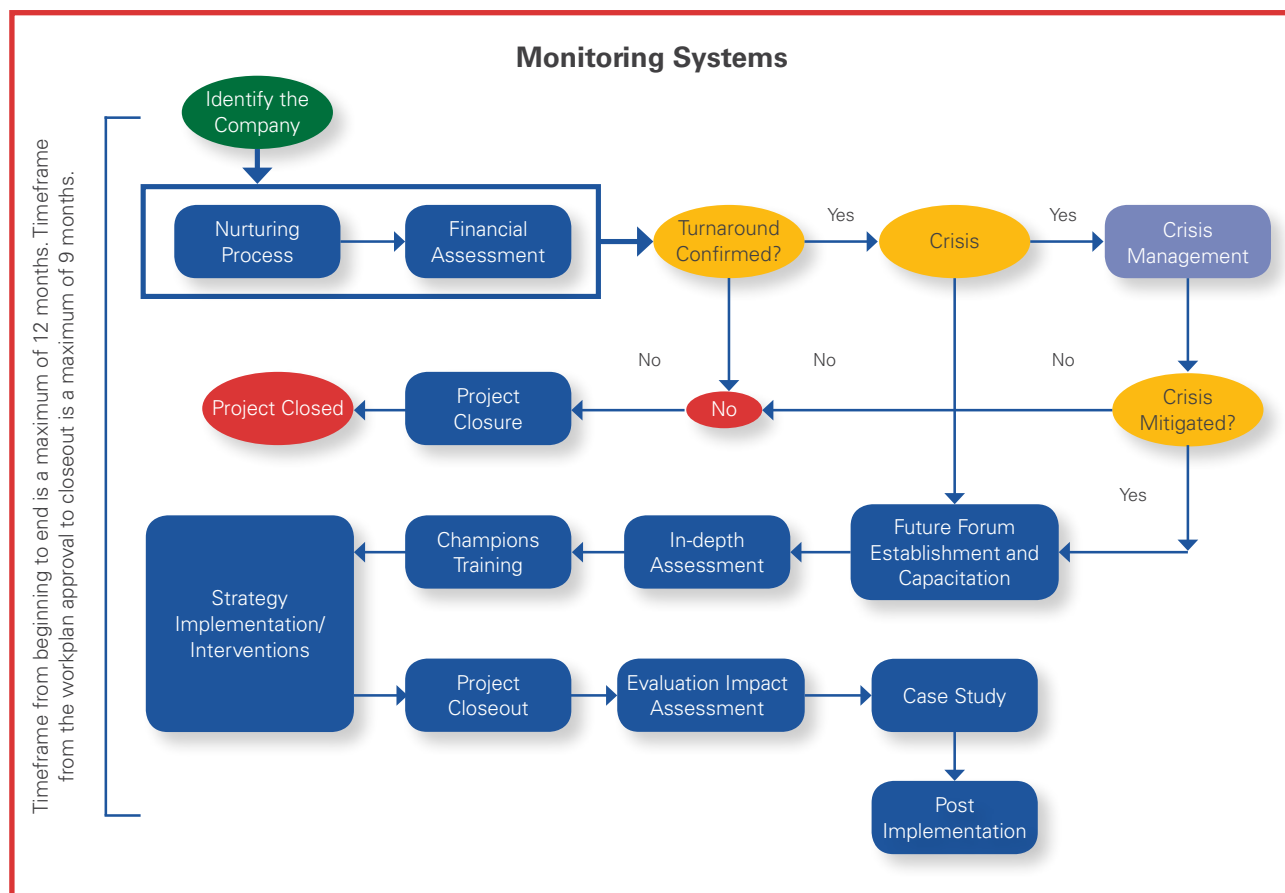


Figure 1: BT&R Process Flow

5.1 Nurturing

The nurturing process consists of an explorative conversation with a potential client to identify whether the client meets the requirements of the BT&R Programme. The objective is to identify the nature of organisational distress and evaluate the likelihood of a possible turnaround.

5.2 Financial Assessment

The turnaround viability of the company is assessed prior to time and money being expended on processes that are likely to fail. A financial assessment compares the applicant's shortcomings to similar businesses in the same sector. This assessment also identifies immediate crises that require resolving through a crisis management procedure. Apart from financial challenges, operational hindrances and wavering sustainability issues are also indicative of distress, and as such are also considerations in this preliminary phase.

5.3 Crisis Management

Should the applicant's company already be in significant distress due to immediate threats such as liquidation by creditors, labour action by workers, termination of vital contracts or threatened with closure by regulatory bodies, then immediate action must be taken. This immediate action is to prevent the closure of the business or possible retrenchments until the turnaround processes can take effect.

5.4 Establishing the Future Forum

A key element of the BT&R Programme, the Future Forum (FF), is a committee established to bring together management, employees and union representatives in a manner that enables structured and open discussion between all parties regarding the issue of job retention. In this forum, stakeholders collectively identify problem areas and formulate and debate strategies for saving jobs and even the company itself. During this process, Productivity SA's practitioners provide technical assistance

in areas such as finances, marketing and operational management.

Once the organisation has been stabilised and threatened jobs are secured, the FF institutes Early Warning Systems and meets regularly with the client to identify emerging problems, formulate appropriate responses and develop turnaround or redeployment strategies if necessary.

This level of interaction between all stakeholders also ensures that the organisation is able to motivate for support in the form of government funds to subsidise further consultations or interventions.

5.5 Capacity Building

Capacity building is an integral aspect of the programme process. This is to ensure that the members of the Future Forum are empowered to contribute meaningfully by gaining an understanding of business operations and what will make an organisation profitable and sustainable. Future Forums undergo a full day's training, and the main objectives of the training are to enable the Future Forum to:

- Determine successful business performance;
- Become profitable;
- Become productive;
- Collaborate relationally; and
- Ensure transparency and trust building in decision making.

5.6 Productivity Champions Training

The elected Productivity Champions undergo a three-day intensive training covering productivity concepts and organisational performance to equip the Champion to take ownership, as well as facilitate and ensure sustainability of the interventions recommended and implemented. The main objective of the training is to ensure that the Productivity Champion leads the Future Forum and will assist with the turnaround and productivity improvement projects in his or her organisation.

5.7 In-depth Assessment

At this stage, the organisation and its appointed practitioners assess the root causes of the organisation's difficulties and develop appropriate turnaround or redeployment strategies. The workplan will highlight key challenges within the organisation causing the distress and outline the recommended interventions to reverse the challenges.

5.8 Strategy Implementation

Roles are allocated and strategies agreed upon are implemented within the ailing organisation to reverse the challenges experienced. The main objectives of this phase are:

- To implement the planned or amended strategy and achieve a successful turnaround.
- To reverse the challenges experienced in the company.

- To ensure the company's ability to continuously improve productivity and competitiveness and to collaborate on issues of job security.
- To ensure that the company has clear strategies for exploiting opportunities and future investments.

5.9 Monitoring and Evaluation

Monitoring and evaluation are two distinct sets of organisational activities, related but not identical.

Monitoring is the systematic collection and analysis of information as a project progresses. It is aimed at improving the efficiency and effectiveness of a project or an organisation. It is based on targets set and activities planned during the planning phases of work. It helps to keep work on track and can let management know when things are going wrong.

Evaluation is the comparison of actual project impacts against agreed strategic plans. It looks at what was set out to be done, what was accomplished, and how it was accomplished. To manage the performance of the BT&R Programme, Monitoring and Evaluation (M&E) Methods have been put in place as a system to design tools, collect and collate data, analyse, and utilise information for evidence-based results and advise the decision-making processes.

Monitoring

The BT&R Programme applies Monitoring Methods with all the departments and regions to gather information from the acquisition of the clients. This process takes place right through the Strategic Implementation Phase until the Project Closeout Phase, systematically collecting and analysing information as projects progress. Implementing this method effectively presents programme results and performance based on proven data.

Evaluation – Impact Assessment

The BT&R Programme applies Impact Assessment Methods to measure the impact delivered through the implemented interventions. The purpose of Impact Assessment is to ascertain whether the BT&R Programme interventions made a difference to the problem situation identified. In other words, did the strategies that were implemented bring efficient and effective change to the organisation?

5.10 Project Closure

Once the project is completed, a closeout report is compiled, which includes a detailed account of accomplishments and gaps identified. The report is presented to the Future Forum for their input and sign off, which brings the project to a close.

6. Executive Summary

The BT&R Programme has had a tremendous impact over the past four years. In the 2023/24 financial year, the BT&R Programme followed through with the same positive trajectory as the previous year, by accomplishing all its targets as well as meeting all the commitments agreed upon within the funding agreement.

Since the July 2020 lifting of the almost two-year suspension of the BT&R Programme for due audits, notable gains have been made in strengthening and recapacitating the programme. Within the funding agreement term of three years, the programme has managed to surpass all expectations, surpassing its nurturing target with 257 trained (148%), saving 21 102 jobs (243% of target) and capacitating 2 600 Future Forum members (498% of target).

A funding agreement was signed off between the UIF and Productivity SA for the financial year 2020/21 wherein the BT&R Programme was allocated R104 571 000 to assist 174 companies facing distress and to save 8 700 jobs. Payment was to be made in three tranches with Productivity SA receiving all three tranches. The 3rd tranche, to the value of R41 308 040, was received on 5 May 2023 so work that was secured could continue countrywide.

As at the end of the fourth quarter, the BT&R Programme had supported 71 companies out of a target of 71 (100%) were nurtured, saving 5 392 jobs out of a target of 3 550 (152%) and training 933 Future Forum Members out of a target of 213 (438%). To date, the BT&R Programme has utilised R96 493 992 of the R104 571 000 received. There has been a 148% achievement of the target for companies supported. The process in implementing turnaround within ailing companies resulted in a 498% achievement of the BT&R target for Future Forum members trained. The achievement resulted in a 243% achievement of the BT&R target for job preservation/retention over the past four years. These exceptional results are indicative of the importance of the BT&R Programme. The results also reflect the effectiveness of the programme in acquiring clients and fulfilling Productivity SA's mandate. One of the key highlights underpinning this outstanding achievement is the resolution to make it mandatory for every business that received assistance for the TERS to implement the BT&R Programme. In this way, Productivity SA created synergy between its financial and non-financial instruments aimed at job preservation.

It is also worth noting that not only did the BT&R Programme assist in the preservation of jobs within distressed businesses, but its turnaround strategies also led to the creation of 1 717 jobs over the past four years. This achievement provides solid evidence that the BT&R

Programme is an effective employment and labour market instrument with a proven track record to ameliorate the plight of workers against the threat of retrenchment.

The BT&R Programme also displays great strategy and tactics, which are supported by well-qualified professionals fully dedicated to adding value towards the Economic Reconstruction and Recovery Plan (ERRP).

The effectiveness of our Acceleration Plan has been evident as the programme has achieved and exceeded its targets. Furthermore, the agreement to enrol Supported Employment Enterprises (SEE) factories has boosted BT&R performance. There has also been improved awareness of the programme as a result of published success stories on social media and annual reports by UIF and Productivity SA.

Moreover, Productivity SA hosted a stakeholder engagement workshop attended by organised business and many business owners which improved awareness of the BT&R Programme. Finally, several roadshows have been conducted nationwide to improve awareness.

Every year, Productivity SA recognises organisations and communities for their contributions to building South Africa's Productive Capacity. Productivity SA held the National Productivity Recognition and Awards on 27 October 2023 inclusive of the BT&R Programme companies. This was the first time that companies which implemented the BT&R Programme participated in the awards.

Out of nine contestant, two companies won awards, namely Garner Wafer and Confectionery and Massive Quantum. Massive Quantum also won a trophy for best performance and sustained company. The National Productivity Recognition and Awards stands to motivate and encourage BT&R clients to take ownership and collaborate and find solutions to contribute to the survival and growth of their businesses.

The BT&R Programme now publishes the BT&R Newsletter on a quarterly basis to provide relevant and valuable information to stakeholders, customers, prospects, and subscribers. The newsletter not only creates awareness of the BT&R Programme but also publishes case studies of successful projects implemented. The link to the newsletters is as follows: <https://productivitysa.co.za/productivitysa.co.za/productivity-sa-newsletter.html>

In a customer survey carried out with all current entities signed up to implement the BT&R Programme, we received very positive feedback. 55% of clients gave us "very satisfied" feedback and 45% were "satisfied".

In addition, all (100%) of our clients indicated that they would like to continue engaging with Productivity SA going forward and 72% indicated that they are “very likely” to recommend Productivity SA to any of their partners/organisations and 23% said “likely”.

We have contributed to the Work Integrated Learning programme by bringing on board learners from the Tshwane University of Technology to be part of the BT&R Programme. Finally, we contributed towards the adoption of the BRICS-Wide Productivity Ecosystem for Decent Work.

The BT&R Programme met with the UIF in 2023 to conduct countrywide site visits to companies that have implemented the BT&R Programme. The visits were aimed at recording the progress the companies have made in implementing the BT&R Programme.

The material gathered was used to garner publicity for BT&R projects through the UIF communication platforms such as social media (X, Facebook, LinkedIn etc.), print (magazines, newspapers) or broadcast (radio, television, podcasts). The rationale behind the visits was to highlight the work done by the UIF, Productivity SA and ultimately the companies themselves, thereby enabling uptake in the programme in alignment with the greater objectives of the DEL, UIF and Productivity SA.

All businesses play a role in transforming and contributing to the growth of the South African economy. The overall BBBEE strategy is to grow the South African economy and give every demographic an equal opportunity to contribute. The current BT&R database showed that most businesses assisted by the BT&R Programme are owned by men at 63%, 29% owned by women and 8% are Multi-shareholder owned. Moreover, of these businesses, 33% are Black owned, 32% White owned, 20% are Indian owned, 8% Coloured owned and 1% Asian owned.

With regards to People Living with Disabilities, 43% businesses are owned by men, 14% by women and 43% by multi-shareholder companies. In addition, of the PWD businesses, 43% businesses are from the Multi-shareholder owned, being an agreement reached to support thirteen (13) Supported Employment Enterprise (SEE) factories, 25% are Black owned, 18% are White owned and 14% Indian owned.

Out of the 21 102 jobs saved, 1 243 (5.9%) jobs for people with disabilities were saved. We expect that this trend will grow due to an agreement reached for the BT&R Programme to support thirteen (13) SEE factories.

Compliance remains a challenge in the execution of the programme. The qualifying criteria for businesses to be onboarded to this programme include UIF and SARS compliance. A lack of UIF and SARS compliance has proved to be a significant barrier for many companies. Failure to meet these compulsory compliance requirements results in the disqualification of clients from the BT&R Programme. The BT&R team is working on this matter to strike a balance between addressing this entry barrier while ensuring that compliance is not compromised.

The development and implementation of the M&E System and practices is enabling Productivity SA to make strategically informed decisions. A strategic focus on governance and quality has resulted in clean audits over the past three financial years and ensured excellent service delivery.

Productivity SA and its BT&R Programme efforts for the next financial year will be aimed at attaining a new funding agreement to ensure this programme continues to save jobs and support Small, Medium and Micro Enterprises to be competitive. We will continue to build our strategic partnerships and alliances within government, organised business, organised labour and academia to take the BT&R Programme to greater heights.

7. Impact of the Business Turnaround and Recovery Programme

7.1 BT&R Cumulative Performance

The BT&R Programme has been performing well with regards to the 2020-2024 contractual UIF funding agreement. Although the programme began at a slow pace while establishing Head Office and Regional Operations, the completion of the personnel establishment took the performance of the programme to greater heights and allowed us to perform far beyond set targets.

The BT&R Programme has nurtured 257 companies as of March 2024 out of a target of 174 (148%), saving 21 102 jobs out of a target of 8 700 (243%) and training 2 600 Future Forum Members on the business operations out of a target of 522 (498%). In addition to the 21 102, 1 717 more jobs were created through this programme.

Out of the 257 companies supported by the BT&R Programme 94 of those companies came from Region 1 (Gauteng Province, North West, Limpopo Province), 64 from Region 2 (Western Cape, Northern Cape, Free State) and 99 from Region 3 (KwaZulu-Natal, Eastern Cape, Mpumalanga Province). Out of the 21 102 jobs saved, 7 483 are from Region 1, 7 342 from Region 2 and 6 277 from Region 3. Out of the 2 600 FF Members trained, 768 FF members were trained in Region 1, 966 in Region 2 and 866 in Region 3.

7.2 BT&R FY4 2023/24 Q1–Q4 Performance

The BT&R Programme in its 4th financial year again (2023/24), ended the year on a good note by achieving all its performance targets. 71 companies out of a target of 71 (100%) were nurtured, saving 5 392 jobs out of a target of 3 550 (152%) and training 933 Future Forum Members out of a target of 213 (438%).

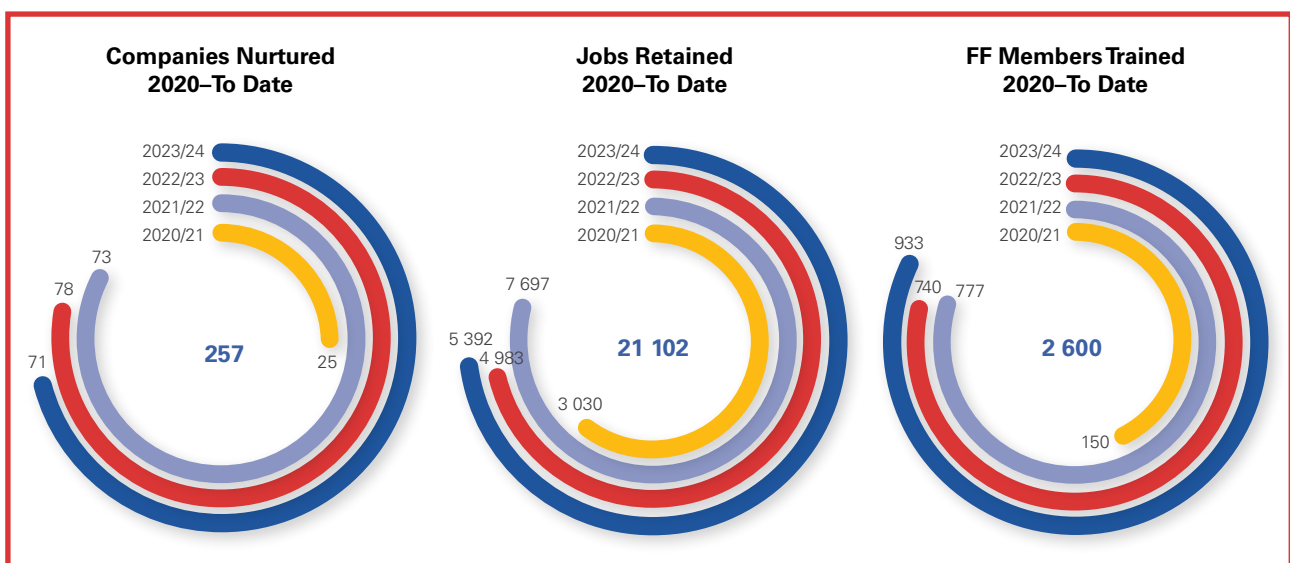


Figure 2: BT&R Cumulative Performance

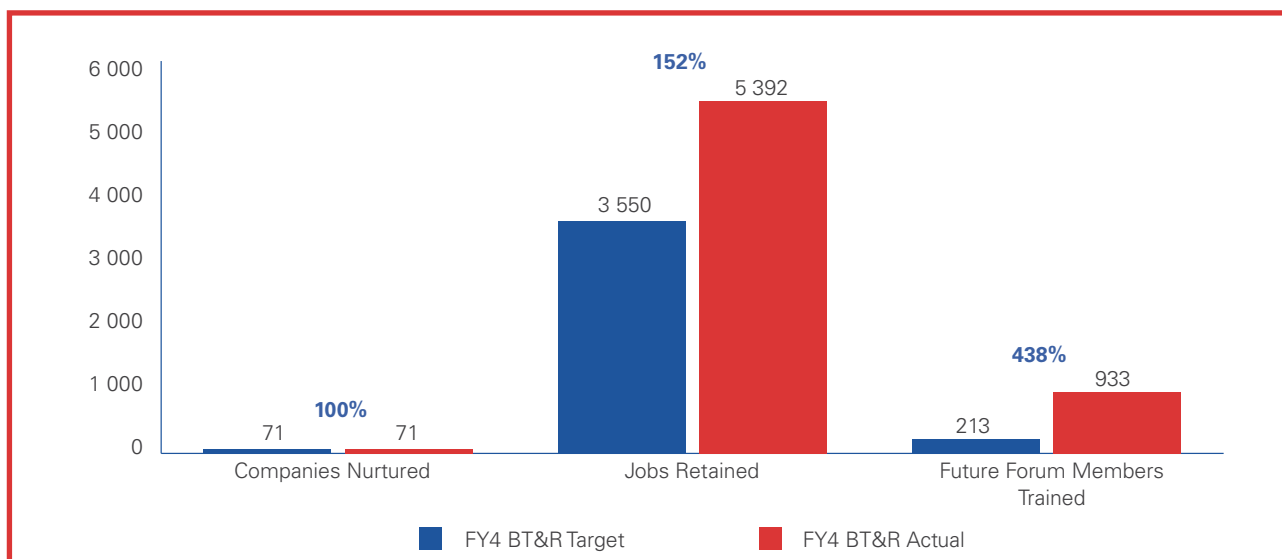


Figure 3: BT&R - Q1–Q4 Target vs Actual 2023/24

7.3 Demographics

The BT&R Programme operates in all nine provinces of South Africa. The programme has made good strides in establishing a complete footprint in all provinces in 2023/24. Most of the clients nurtured and jobs saved are in the Metropolitan Cities (GP, KZN & WC) which are primarily the powerhouses of economic activity in South Africa.

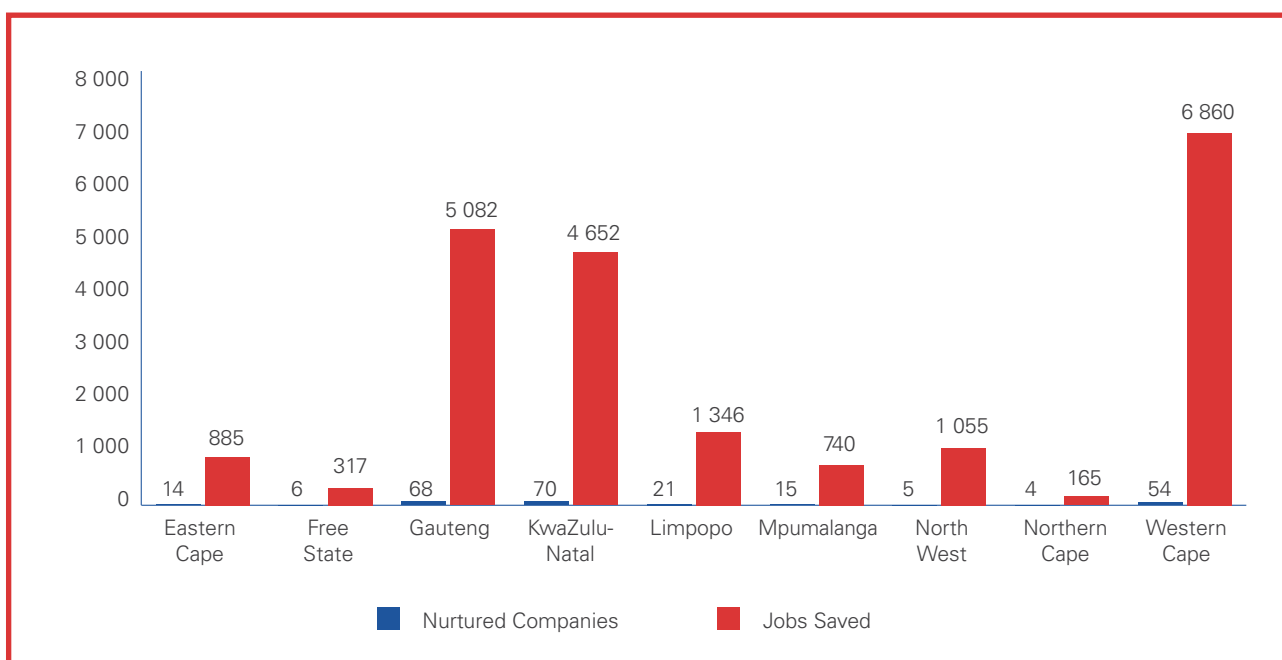


Figure 4: Nurtured Companies and Jobs Saved by Provinces, 2020 to date

7.4 BT&R Projects by Districts

Over the years, the BT&R Programme established its footprint in all provinces and metropolitan and district municipalities. This coverage is based on the location of clients.

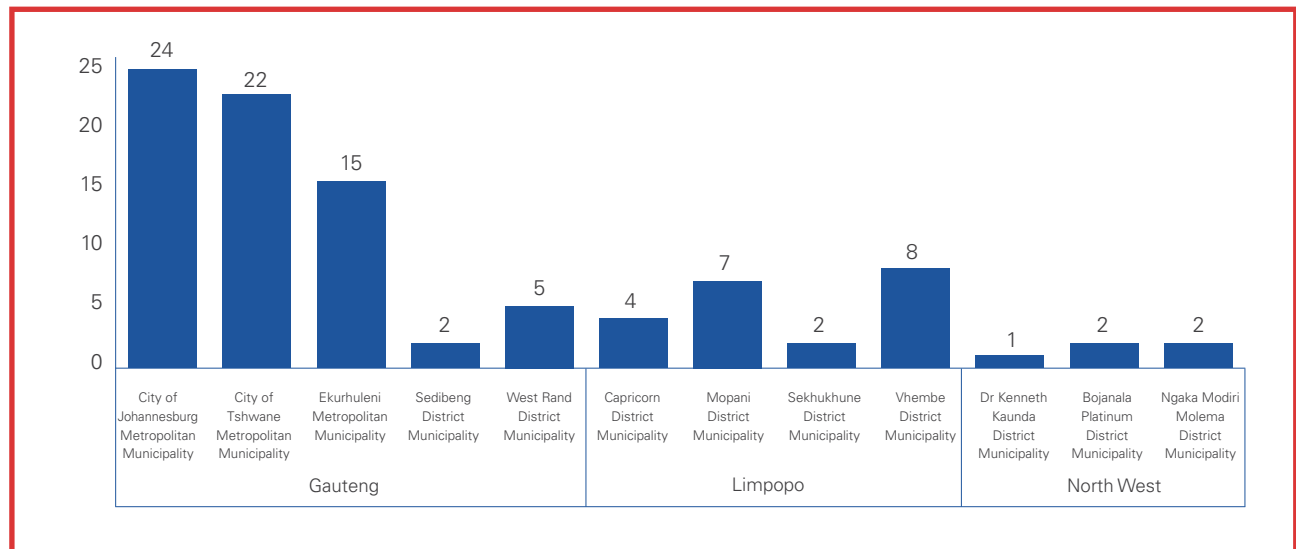


Figure 5: Cumulative Region 1 Projects by Districts, 2020 to date

The BT&R Programme in Region 1 is established in Gauteng, Limpopo and North West Provinces. As the Gauteng Province is the most populous, the BT&R Programme has 68 clients in most of the major metropolitan and District municipalities. In the Limpopo Province there are 21 clients and 5 in the North West.

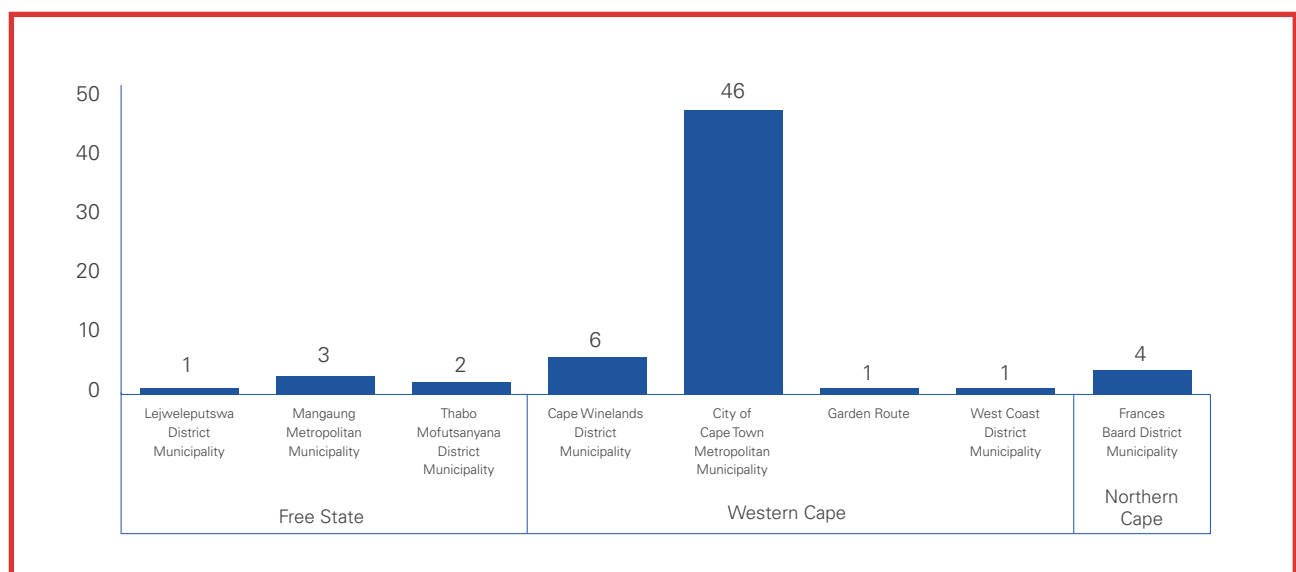


Figure 6: Cumulative Region 2 Projects by District, 2020 to date

The BT&R Programme in Region 2 is established in the Free State, Western Cape and Northern Cape Provinces. The BT&R Programme has 54 clients in the various districts in the Western Cape. In the Free State Province, most of the clients come from Mangaung Metropolitan Municipality with a total of 6 clients in the region, while the Northern Cape only has 4 clients in the Frances Baard District Municipality.

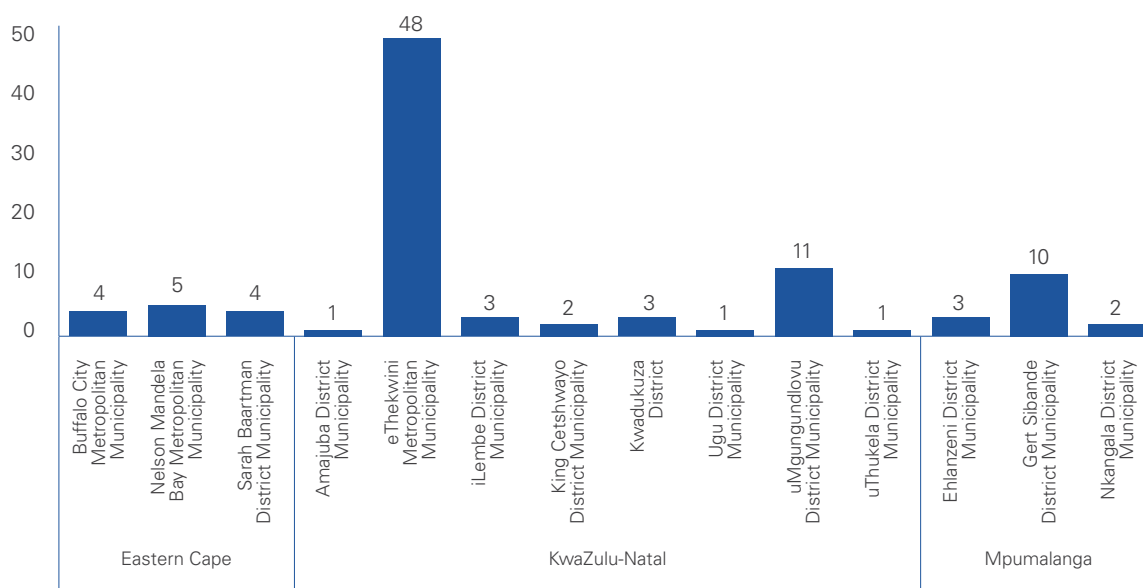


Figure 7: Cumulative Region 3 Projects by District, 2020 to date

The BT&R Programme in Region 3 is established in the Eastern Cape, KwaZulu-Natal and Mpumalanga Provinces. Most of the clients for the region are in the KwaZulu-Natal Province, numbering 70. In the Eastern Cape Province, most clients come from the Nelson Mandela Bay Municipality with a total of 13 client in the province. The Gert Sibande District Municipality has the most clients in Mpumalanga and the total number of clients in the province is 515.

7.5 Operational Sector

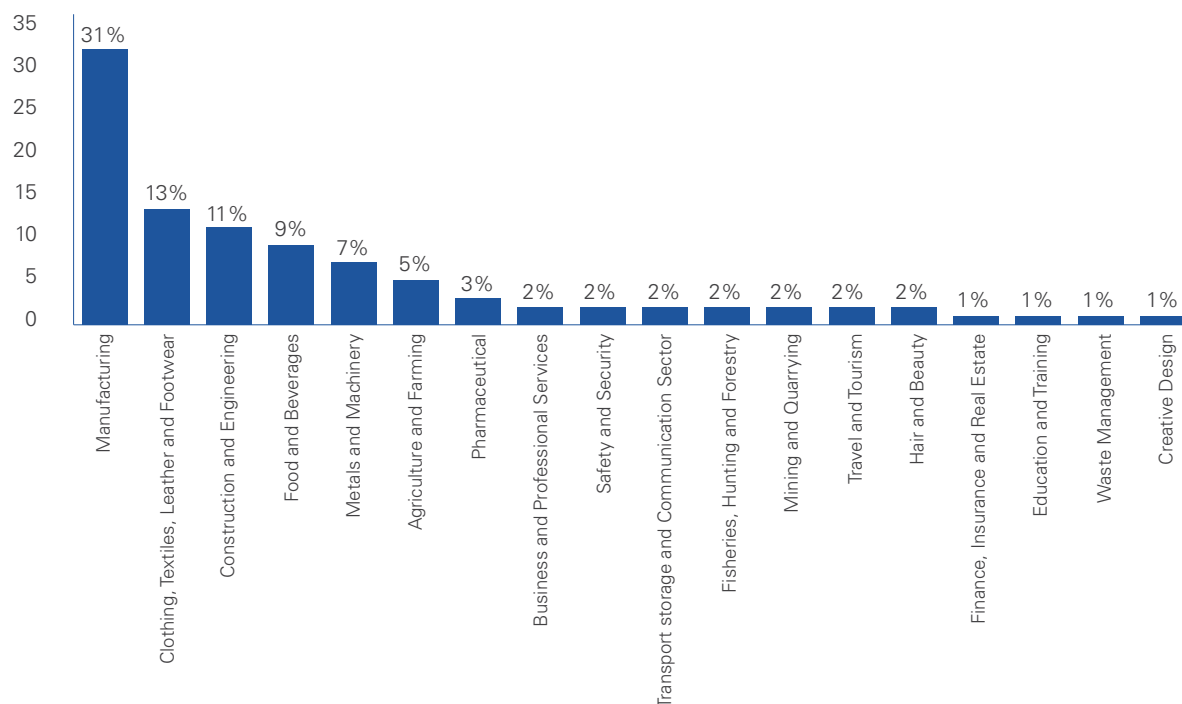


Figure 8: Cumulative BT&R Operational Sector, 2020 to date

The BT&R Programme is available to collaborate with any enterprises across all sectors in South Africa, and in cases whereby further skills and expertise are required, the programme has a database of qualified service providers to avail the required services. The Manufacturing sector remains the highest sector with 31% clients, followed by the Clothing, Textiles, Leather and Footwear (CTLF) at 13%, Construction and Engineering at 11%, Food and Beverages at 9%, Metals and Machinery at 7%, Agriculture and Farming at 5% and Pharmaceutical at 3%.

7.6 Economic Transformation

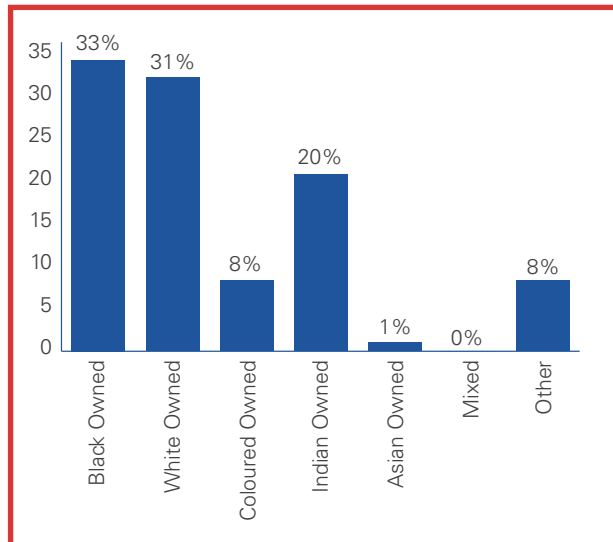


Figure 9: Cumulative Business Ownership by Race, 2020 to date

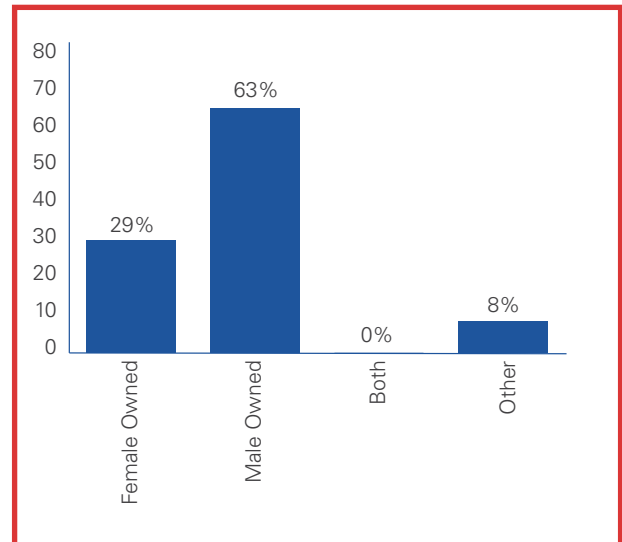


Figure 10: Cumulative Business Ownership by Gender, 2020 to date

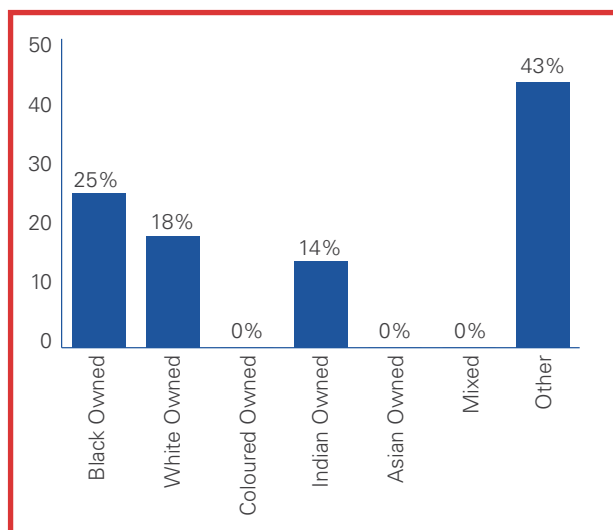


Figure 11: Cumulative PWDs Business Ownership by Race, 2020 to date

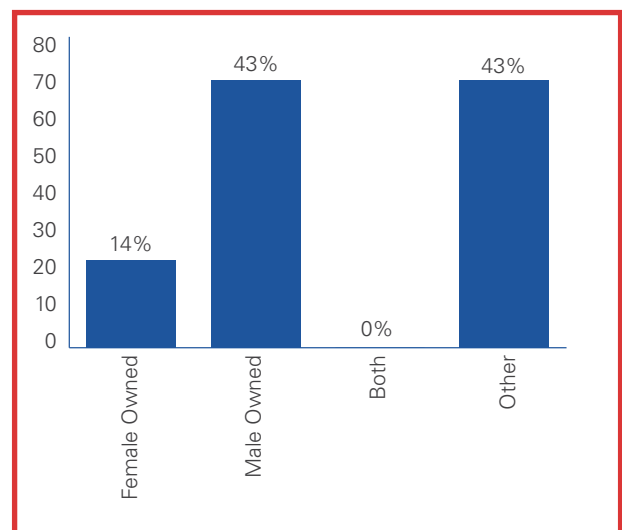


Figure 12: Cumulative PWDs Business Ownership by Gender, 2020 to date

All businesses play a role in transforming and contributing to the growth of the South African economy. The overall B-BBEE strategy is to grow the South African economy and give every demographic an equal opportunity to contribute. The current BT&R database showed that most businesses assisted by the BT&R Programme are owned by men at 63%, 29% owned by women and 8% are multi-shareholder owned. Moreover, of these businesses, 33% are Black owned, 32% White owned, 20% are Indian owned, 8% Coloured owned and 1% Asian owned.

With regards to People Living with Disabilities (PWDs), 43% of businesses are owned by men, 14% by women and 43% by multi-shareholder companies. In addition, of the PWDs businesses, 43% of businesses are from the multi-shareholder owned category. As part of an agreement reached to support 13 Supported Employment Enterprise (SEE) factories, 25% are Black-owned, 18% are White owned and 14% Indian owned.

7.7 Jobs Saved for People Living with Disabilities

It is paramount for the BT&R Programme to take consideration of previously disadvantaged individuals including women, youths and people living with disabilities. Looking closely at PWDs, the BT&R Programme has saved 5.9% (1 243) jobs belonging to PDWs out of the 21 102 jobs saved overall. The programme is open to working with all the citizens in South African and will continue to witness the growth of PWDs jobs being saved.



Figure 13: Cumulative BT&R Overall Jobs Saved vs Jobs Retained for PWDs, 2020 to date

7.8 Jobs Saved for the Youth

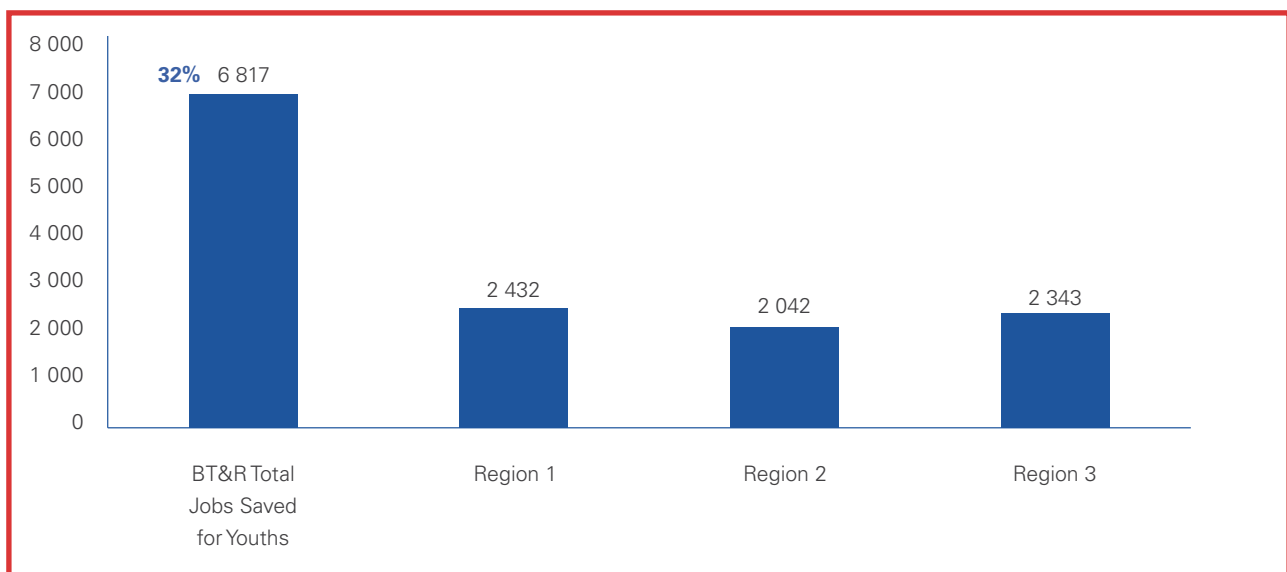


Figure 14: Cumulative BT&R Jobs Retained for Youths, 2020 to date

The BT&R Programme continues to contribute to creating and saving jobs for youths. At 32%, 6 817 jobs belonging to the youths have been saved through the interventions provided by the BT&R Programme.

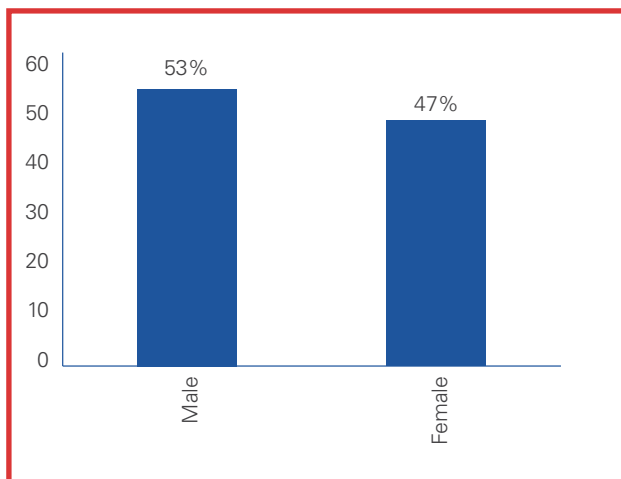


Figure 15: Cumulative Jobs Retained by Gender, 2020 to date

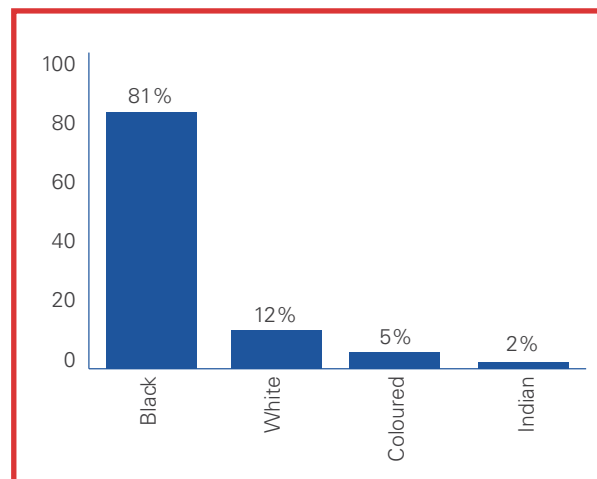


Figure 16: Cumulative Jobs Retained by Race, 2020 to date

It is also critical for the programme to monitor gender and race in the jobs that have been saved. By March 2024, 53% jobs belonging to males were saved and 47% belonging to women. With regards to race, jobs saved belonging to Black people was at a high of 81%, White at 12%, Coloured at 5% and Indian at 2%.

7.9 BT&R Completed Projects

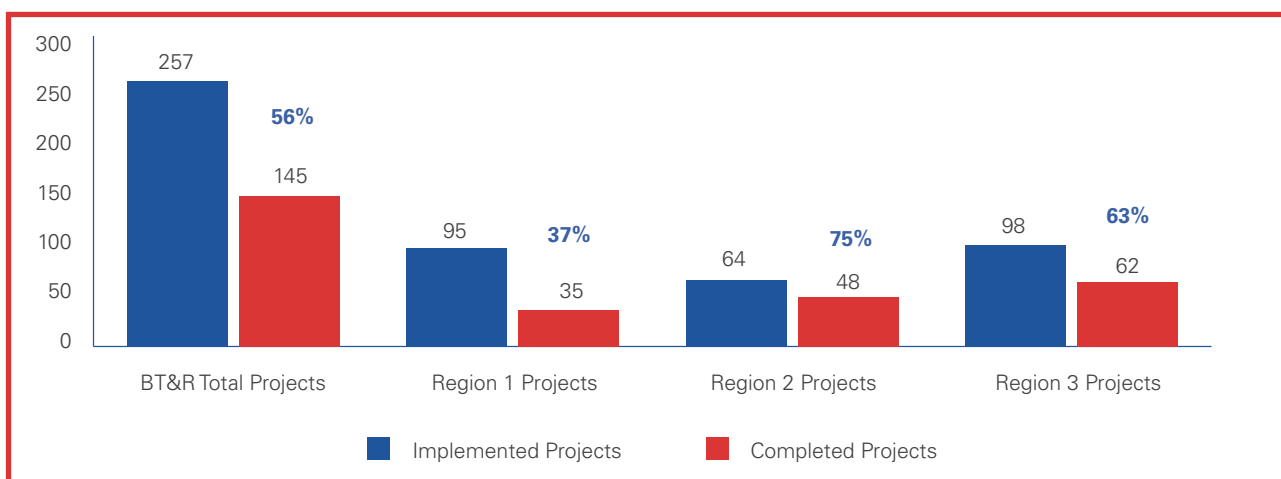


Figure 17: Cumulative BT&R Completed Projects to date

All projects in the BT&R Programme must end at some point after providing skills and turnaround solutions. The ultimate goal is the sustainability of a company that is productive and profitable thereby saving and possibly creating even more jobs. By this reporting period, the BT&R Programme completed 145 projects out of the enrolled 257 (56%) companies. Of those completed projects, 35 companies completed come from Region 1, 48 from Region 2 and 62 from Region 3.

8. Capacity Building

8.1 Future Forum

Future Forum Training

The established committee brings together management, employees and union representatives in a manner that enables structured and open discussion among all parties on the issues of job retention. Stakeholders collectively identify problem areas and formulate and debate strategies for saving jobs and even the company itself.

Future Forum Objectives

Building capacity ensures all members of the Future Forum are empowered to contribute meaningfully with a clear understanding of business operations and what will make the company sustainable and profitable. The Future Forum is a team of employees set up to promote a collaborative relationship between management and workers. Thus, the objectives of the Future Forum focus on:

- Open discussion and joint problem-solving processes;
- Information sharing;
- Platform for evaluation and clear measures of goals and outcomes; and
- Improve employee participation in organisational decision- making.

Future Forum Training

A key element of the Business Turnaround and Recovery Programme, the Future Forum, is a committee established to bring together management, employees and union representatives in a manner that enables structured and open discussion between all parties regarding the issue of job retention. In this forum stakeholders collectively identify problem areas and formulate and debate strategies for saving jobs and even the company itself. During this process Productivity SA provide technical assistance in areas such as financial, marketing and operational management.

- About Productivity
- The BT&R Programme
- How businesses operate
- Determinants of successful business performance
- Profitability, profit margins and economic factors
- Productivity
- Factors affecting productivity
- The Seven types of waste
- Quality
- The Future Forum
- Workplace collaboration
- Transparency and trust building
- Parties to Proactive Future Forums (PFF) and their roles
- List of issues to be dealt with by PFF
- Dissemination of information
- Desired Outcome.

8.2 Objectives of Productivity Champions

Elected Productivity Champions undergo intensive training covering productivity and organisational performance concepts to equip them to take ownership, facilitate and ensure sustainability of the interventions recommended and implemented. The main objective of the training is to ensure Productivity Champions will assist with turnaround and productivity improvement projects.

Each organisation that has implemented a BT&R Programme appoints one or several Productivity Champions who become responsible for the ongoing sustainability of turnaround solutions in companies and organisations. These champions are specifically responsible for:

- Preventing declines in stable businesses;
- Capacity building of Future Forums;
- Measuring productivity, quality and organisational performance;
- Maintaining Future Forums; and
- Establishing and using Early Warning Systems.

Productivity Champions will complete the following types of training modules:

- Module 1 – Introduction
- Module 2 – Productivity
- Module 3 – Organisational Performance
- Module 4 – Quality and Customer Satisfaction
- Module 5 – Early Warning Systems
- Module 6 – Improvement
- Module 7 – Change Management
- Module 8 – Project Management
- Module 9 – Support Programmes
- Module 10 – Future Forum
- Module 11 – Evaluation (Future Forum presentation)
- Module 12 – Evaluation (Early Warning Systems)
- Module 13 – Case Study.



9. Case Studies



Region 1

R Protections (Pty) Ltd



Company Details

Company Name:	R Protections
Region:	1
Province:	Gauteng
District:	Johannesburg
City of Operation:	Johannesburg
Project Manager:	Mr Fanelle Mamba
Case Study Written by:	Mr Fanelle Mamba



Introduction

Company Background

R Protections Security Services was registered in 2017. The company provides security services to industrial, government and commercial market segments. The Managing Director (MD) is Mr Tankiso Radebe and the General Manager is Mr Raymond Ndlovu. The main offices are in Wynberg, Sandton.

Their core service offering includes Security Guard Services, Event Management Security Services, Security Escort and VIP Protection Services, Security Risk Assessment and Security Plan Services, Security Investigation Services, PSIRA Training and SASSETA Training. Services provided by the technical staff include Access Control Systems, Internet Protocol and Analogue Closed Circuit Television Cameras (CCTV), Intercom Systems, Boom Gates, Electric Fences, Alarms Systems, Gates and Garage Automation and Offsite Monitoring.

The company had 13 employees in 2022 when they joined the BT&R Programme. As of February 2024, they have 53 employees and five trainees on a funded programme. Most of these employees are security officers with basic education and grade C security officer qualifications.

Company Products and Services

Guarding Division Services

R Protections offers comprehensive security guarding services which include; Physical Deployment and posting of security officers in and around customer buildings, Escort Services, Security Training Services, Security Risk Assessment, Security Planning, Event Management, Security Advisory and Investigation services.

Technical Services Division

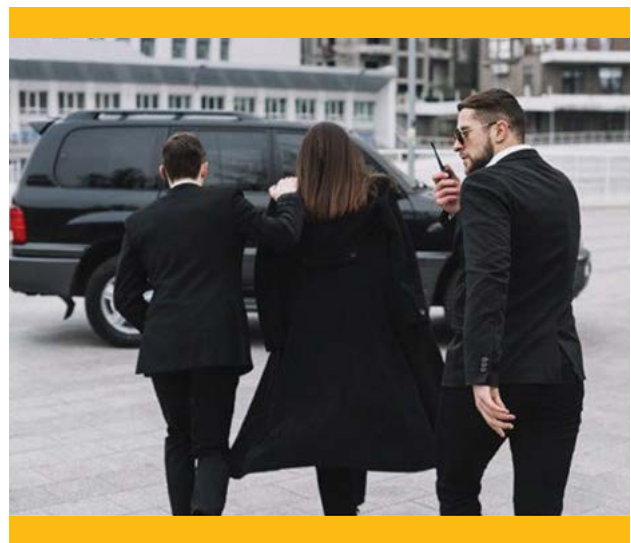
R Protection provides comprehensive security installation solutions, utilising top-of-the-line security systems suitable for residential, commercial and industrial properties.



Commercial Guarding



Residential Guarding



Escort Guarding Services

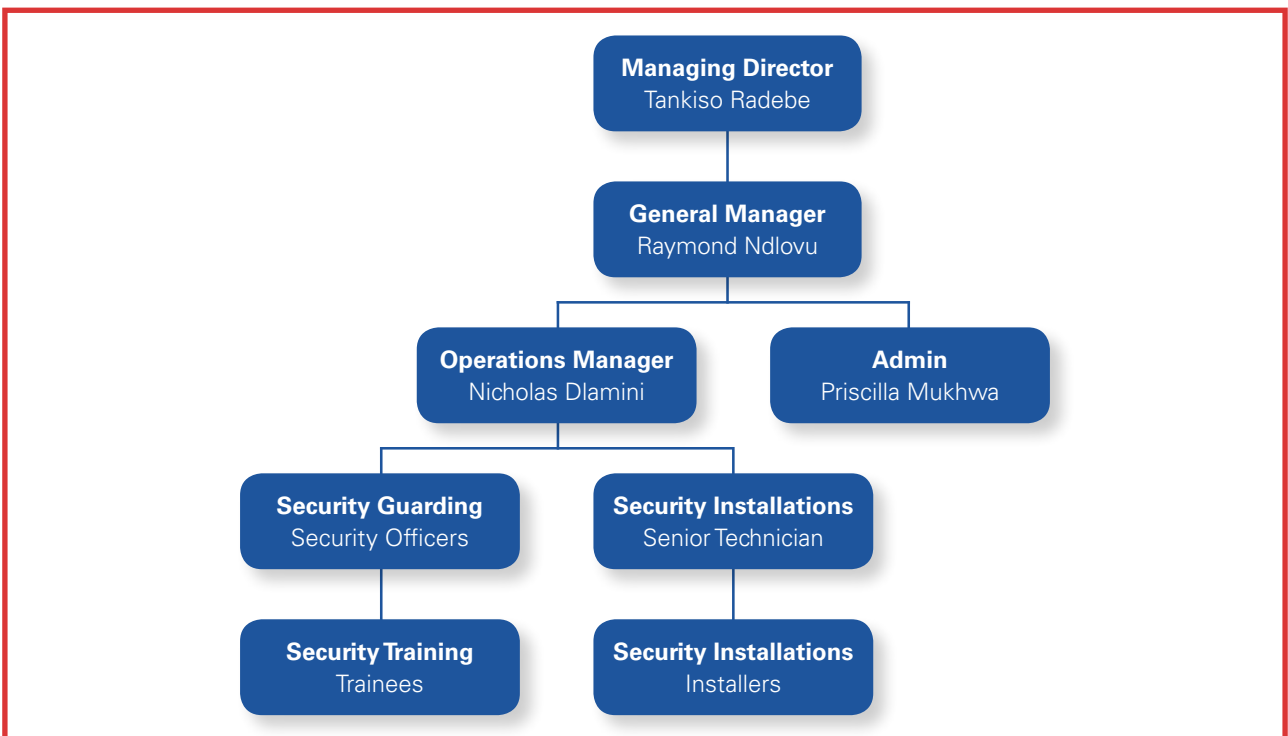


Retail Guarding Services



Investigation Services

Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

Financial Performance

When R Protections joined the programme, their sales increased by 0.2% and operating profit dropped by 178%. A major factor contributing to the operating loss was an increase in overhead expenses.

Operational Distress

During the in-depth assessment stage of the programme, the main challenges identified were:

- Increased overheads as a percentage of sales from 2021 to 2022.
- The company was not breaking even on sales, which put a strain on margins.
- There was no formal sales and marketing strategy informed by market research.

BT&R Strategy

The table below shows the different stages for developing the sales and marketing strategy.

Stages	Description	Aug	Sep	Oct	Nov	% Progress
	Start	X				
1	Introduction	X				100%
2	Company (Internal)		X			100%
3	Customers (Market)		X			100%
4	Competitors		X			100%
5	Channels & Partners		X			100%
7	Climate (Industry)			X		100%
8	SWOT			X		100%
9	Financial Projections			X		100%
10	Break-even Analysis			X		100%
11	New Business Strategy				X	100%
12	Marketing Plan				X	100%
13	Conclusion				X	100%
14	Executive Summary				X	100%

BT&R Involvement/Interventions

	Issue/Challenge	Intervention	Outcome
Intervention 1	Slow penetration into other segments of the market.	Sales and marketing strategy	Generate more leads, convert more prospects to sales and create a sustainable sales effort.

Highlights of the Project

One of the things that R Protections did successfully was managing relationships with their current clients. Management conducted a short satisfaction survey with their clients to figure out what their preferences were. They then used the outcome of the survey to engage their clients, some of whom they knew had the potential to do more business with if they revised the contracts in favour of the clients. This led to some clients providing more business. This new business created more employment, which eventually improved bottom line profits.

The business also adopted a focus strategy where they decided to service customers within a specific radius from their head office. This approach assisted them to manage overhead costs which was a challenge prior to joining the BT&R Programme. The total number of jobs created was 45.

Conclusions

R Protections saw a decline in operating profits to a net loss of -228% in 2022 due to various factors. One factor was an increase in overhead costs after the loss of one of their major clients. During the in-depth assessment stage of the project, one of the interventions that was identified was the development of a sales and marketing strategy that would help the business penetrate the market and secure more business opportunities.

The FF and Productivity Champions training provided to the employees assisted them in understanding key business management concepts. The sales and marketing strategy that was developed for R Protections assisted the business to understand the market they are operating in and provided clear direction as to how to penetrate it and win more clients.

In conclusion, the programme has been instrumental in assisting R Protections in identifying its weaknesses and helping the business implement short- and long-term actions to increase profits and retain existing jobs, as well as create more job opportunities.

Region 1

Bolwa Security Services (Pty) Ltd



Company Details

Company Name:	Bolwa Security Services
Region:	1
Province:	Gauteng
City of Operation:	Johannesburg
Project Manager:	Kenny Ramukhubathi
Size of the Company/ Organisation/Group:	Small, 22 employees
Operational Sector:	Private Security
Source of Referral Leads:	ASP – Libra Consulting
Date of Acceptance Letter:	13 February 2023
Date Project Closed (Last signatory date in the Closeout Report)	TBC
Case Study Written by:	Kenny Ramukhubathi



Introduction

Company Background

Bolwa Security Services (SS) was registered in 2018 as a Private Limited Company (Pty). The company provides security services to industrial and commercial sectors. The business is owned-managed by the founder, Mr Johnson Bongani Vetbooi. The main offices are in Milpark, Johannesburg.

The company's core service offering is physical guarding.

The company had 22 employees in 2023 when they joined the BT&R Programme. In September 2023, they had 40 employees. Most of these employees are security officers with basic education and grade C security officer qualifications.

Bolwa SS was accepted into the BT&R Programme in February 2023.



Company Vision

To be a dependable and trusted partner in protecting human and physical resources for businesses in South Africa, giving you peace of mind.

Company Mission Statement

Our expertise is to eliminate physical security threats while enabling you to serve your customers.

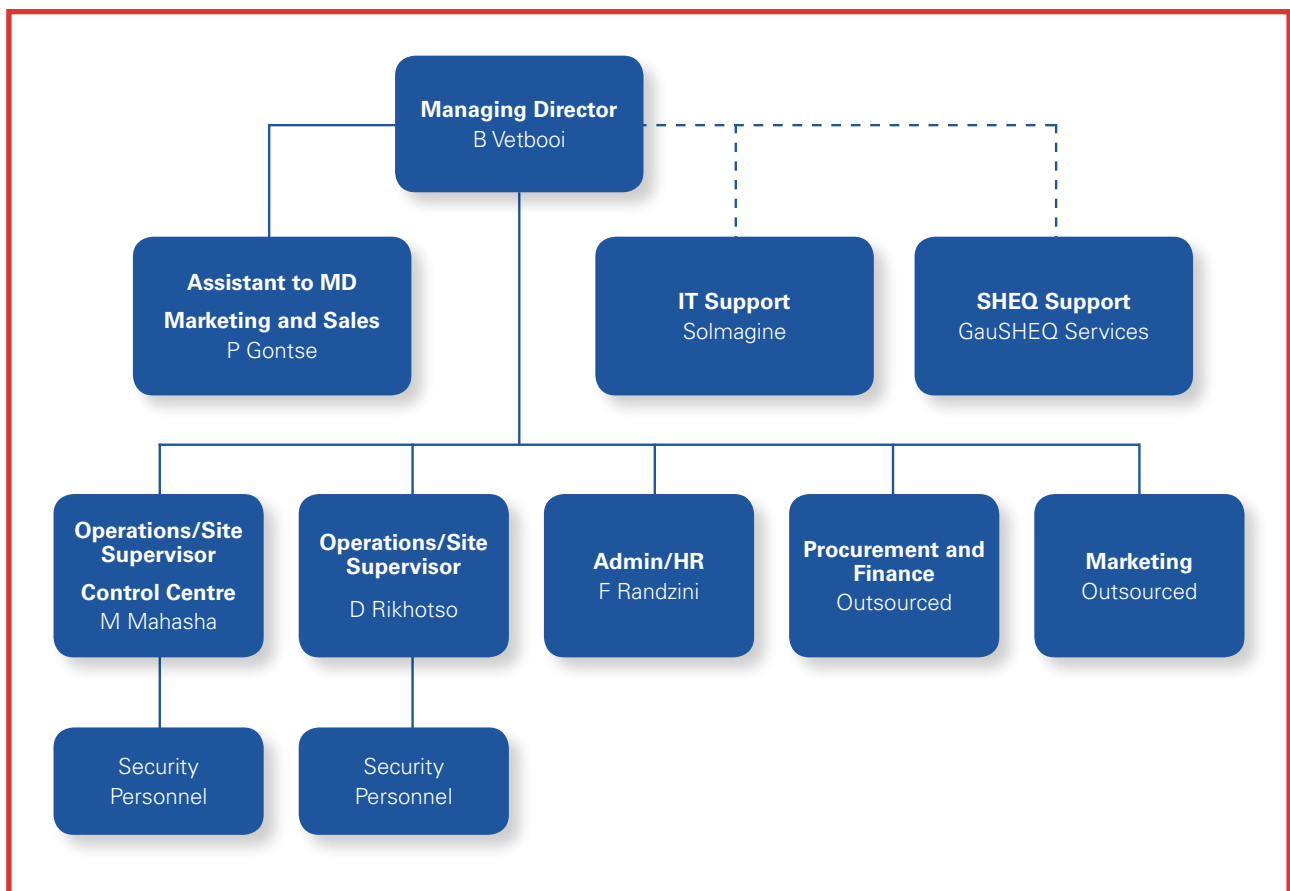
Company Products and Services

Providing trained security guards to safeguard client premises i.e. to protect people and assets.





Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

The main challenges identified during the in-depth assessment are summarised as follows:

- Increased overheads as a percentage of sales from 2021 to 2022.
- The company was not breaking even on sales, which put strain on profit margins.
- No formal marketing and sales strategy informed by market research.
- The current digital marketing tools are not exploited fully; they don't yield expected results.
- There is no system for capturing customer complaints and feedback.

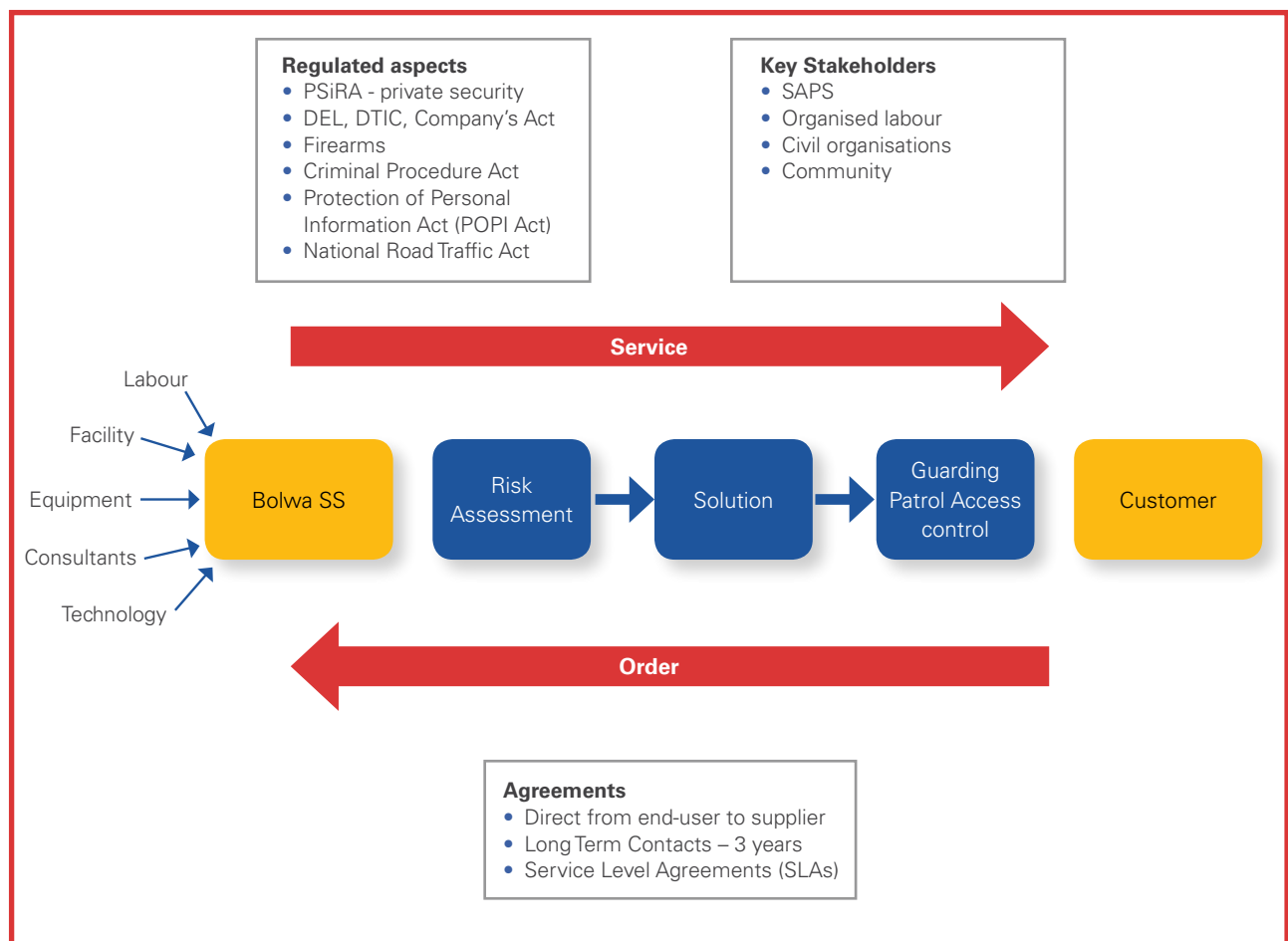
The main purpose of the turnaround strategies at Bolwa SS is sales growth.

The company is owned-managed by Bongani Vetbooi, who brings 30+ years in security and policing industry knowledge. Bolwa SS was accepted into the BT&R Programme with 22 employees.

BT&R Strategy

The turnaround was focussed on Bolwa's growth and sustainability. 2021 sales were stagnant, in 2022 there was a slight improvement and 2023 saw a significant growth.

After understanding the business model, it was necessary to target inefficiencies in the value chain such as labour productivity and support functions.



BT&R Involvement/Interventions

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1	<ul style="list-style-type: none"> Overheads increased at a faster rate than sales, which resulted in a drop in operating profit, which was monitored closely. Major causes of increased operating costs were consulting fees, which was attributed to administration costs. This is expected to decrease due to administration roles being filled internally. 	Budgeting activity <ul style="list-style-type: none"> Determine annual budget for all expense items. Develop Excel dashboard. Develop SOP for budgeting training. 	Phase 1: Needs analysis Phase 2: Gather data from client: Phase 3: Analysis and develop budgeting tool Phase 4: Review and implementation
Intervention 2	<ul style="list-style-type: none"> There was no formal marketing and sales strategy informed by market research. The current digital marketing tools are not exploited fully; they don't yield expected results. There was no system for capturing customer complaints and feedback. 	Development of an insight driven Sales and Marketing Plan. This plan is divided into four parts, marketing research, marketing strategy, sales strategy and action plans.	Phase 1: Gather data from client Phase 2: Situational Analysis (5 Cs) Phase 3: Develop marketing strategy Phase 4: Document writing
Intervention 3	<p>The company's current website is centred around the founder and owner of the business and less about the services and capabilities. The old website was dull and one would only go through it if you know the owner or have used their services before. The wording and pictures used were very standard and did not give enough information about their services at first glance.</p> <p>Current Social Media</p> <p>The company's social media was more of an information centre and less a marketing platform. The posts are mostly industry statistics shared by the business owner. There is nothing in the posts which markets the business or promotes brand awareness.</p>	<ul style="list-style-type: none"> Interactive Website with chatbot. SEO optimisation. Update social media accounts Facebook, Instagram, LinkedIn, X. Linked platforms. Data analytics to track website visitor metrics like clicks and duration. Investigate and advise on automated email marketing. Training of marketing officer in implementation. 	<ul style="list-style-type: none"> Client engagement to understand the vision of the director and company. New interactive 6-page website developed and launched. Social media package included improving brand equity and addressing inbound customer touch points.

Results

- Sales increased by 150% between 2023 and 2024.
- Employees increased from 22 in 2021 to 60 in 2024.
- Morale and motivation are gradually improving.

Project Innovation

Implementing a culture of measurement and control in operating expenses for the business by using an Excel tool for monthly monitoring.

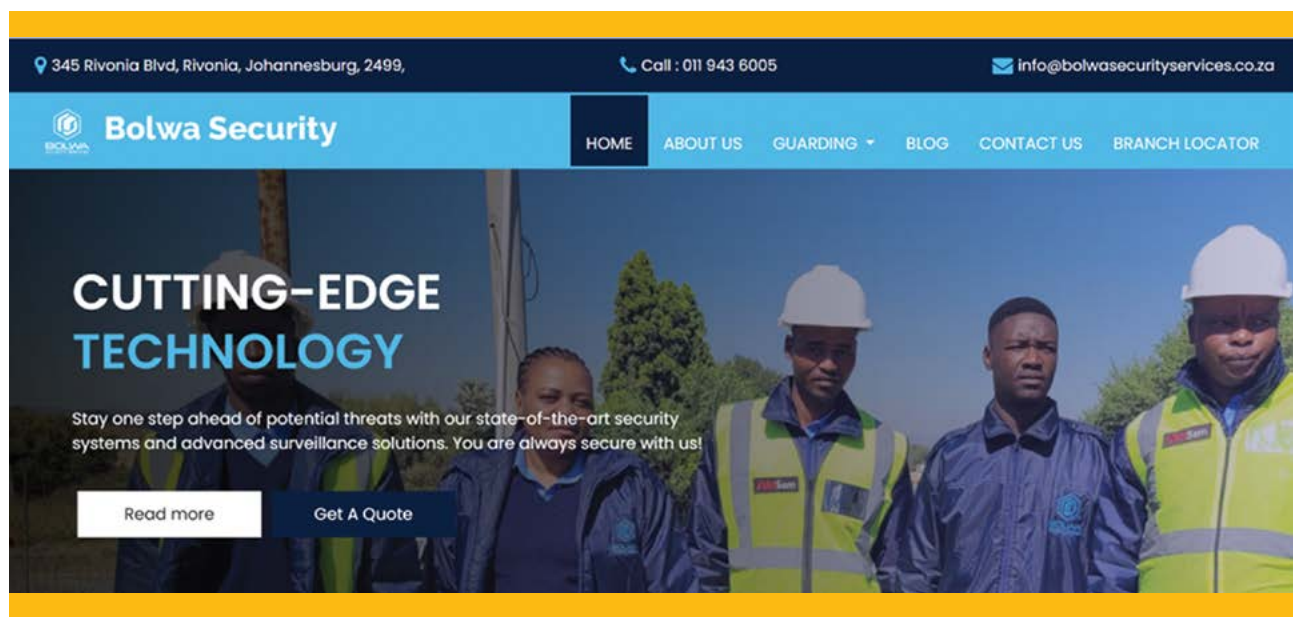
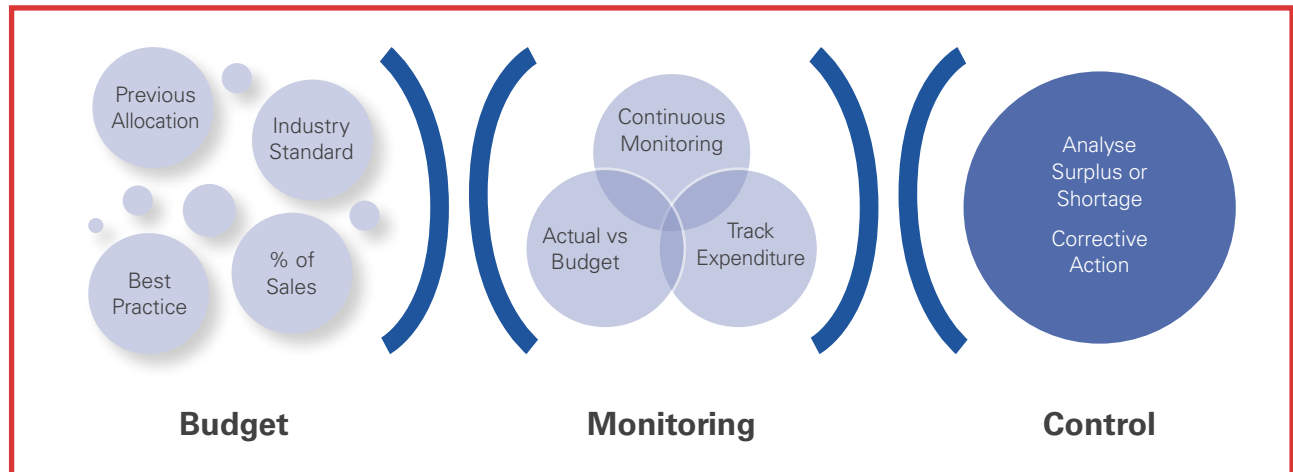
Developing an interactive modern website optimised for quick lead generation. The key features in this package are:

- 6-page vertical scrolling website
- Types of services offered by Bolwa
- Blog page
- Previous and current customers serviced by Bolwa
- Why choose us section
- New branch locator feature
- Social media setup and linkage to the website.

Conclusions

The project was a success in that it achieved all the stated objectives:

- FF and Productivity Champions Training capacitations were conducted in person using both practical examples and slides. Members were given enough opportunity to ask and understand. 2 Future Forum and 2 Productivity Champion members were capacitated.
- Sales increased by 383% between 2021 and 2024.
- Employees increased from 22 to 42.



Region 1

Ayama Projects (Pty) Ltd



Company Details

Company Name:	Ayama Projects (Pty) Ltd
Region:	1
Province:	Gauteng
District:	City of Johannesburg
City of Operation:	Midrand
Project Manager:	Sibusiso Kunene
Service Provider/s:	Anrid Consulting (Pty) Ltd – Sales Strategy Deliverable Implementation
Case Study Written by:	Sibusiso Kunene



Introduction

Company Background

Ayama Projects and Enterprises (Pty) Ltd was established in 2013 and is solely black owned. The company prides itself on engineering excellence. Its key focus is in the electrical, mechanical, automation, instrumentation, and energy management disciplines.

The two directors of the company are both graduates in Electrical Engineering. Mr Xolisile Seti, Director of Project Engineering, holds a national diploma in Electrical Engineering (heavy current). Mr Joseph Seromo, Director of Sales Engineering, holds a national diploma in electrical engineering (heavy current) as well as a National Diploma in Project Management. Both directors built their reputation in the industry before venturing into their own business, so they have strong relationships with key role players in the market in which they operate.

Company Products and Services

Ayama Projects focuses on the following markets: Mining, Renewable Energy, Agriculture, Manufacturing, Local and National Government, Municipalities, Water and Sanitation.

Product and services include:

- Consulting services – Conducting engineering studies (functional analysis), evaluations and recommendations (value engineering analysis), feasibility studies and master planning.
- Design – Cost estimates, design analysis, project scheduling, conceptual drawings, electrical standards, specifications.
- Supply – Project tendering, specification compliance, lead time conformation and product supply.
- Installation – Cable termination jointing and laying, as well as panel mounting.
- Commissioning – Instrument calibration, programming, testing and preparation of handover documents.
- Maintenance – Troubleshooting, field engineering liaison and inspection, commissioning and checkout, customer representation at acceptance testing of equipment, preventive maintenance programmes.
- After sales services.

Electrical (LV & MV)



- Switchgear
- Transformers
- Motors
- Electrical and instrumentation cables and its related accessories
- Power suppliers
- Power factor correction banks.

Instrumentation



- Pressure measurement
- Temperature measurement
- Flow measurement
- Level measurement
- Positioners
- Process protection
- Process controllers
- Process records
- Supplementary components
- Communication and software.

Automation

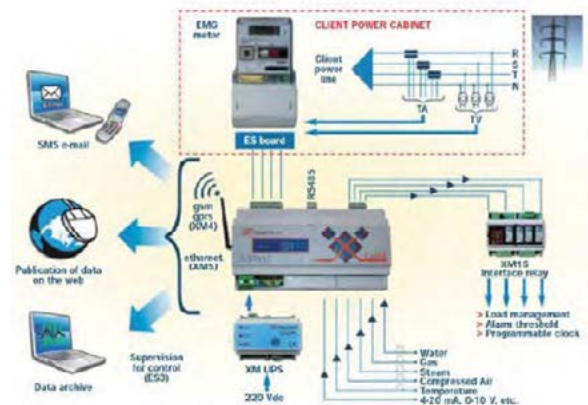


- AC & DC Variable Speed Drivers (LV & MV VSD's)
- LV & MV Soft Starters
- Programmable Logic Controllers (PLC's and HMI's)
- Motor Protection Relays (MPR100)
- Drill Depth Counter
- Speed Monitor Relay
- Load Cell Relay
- Chokes
- Brake resistors

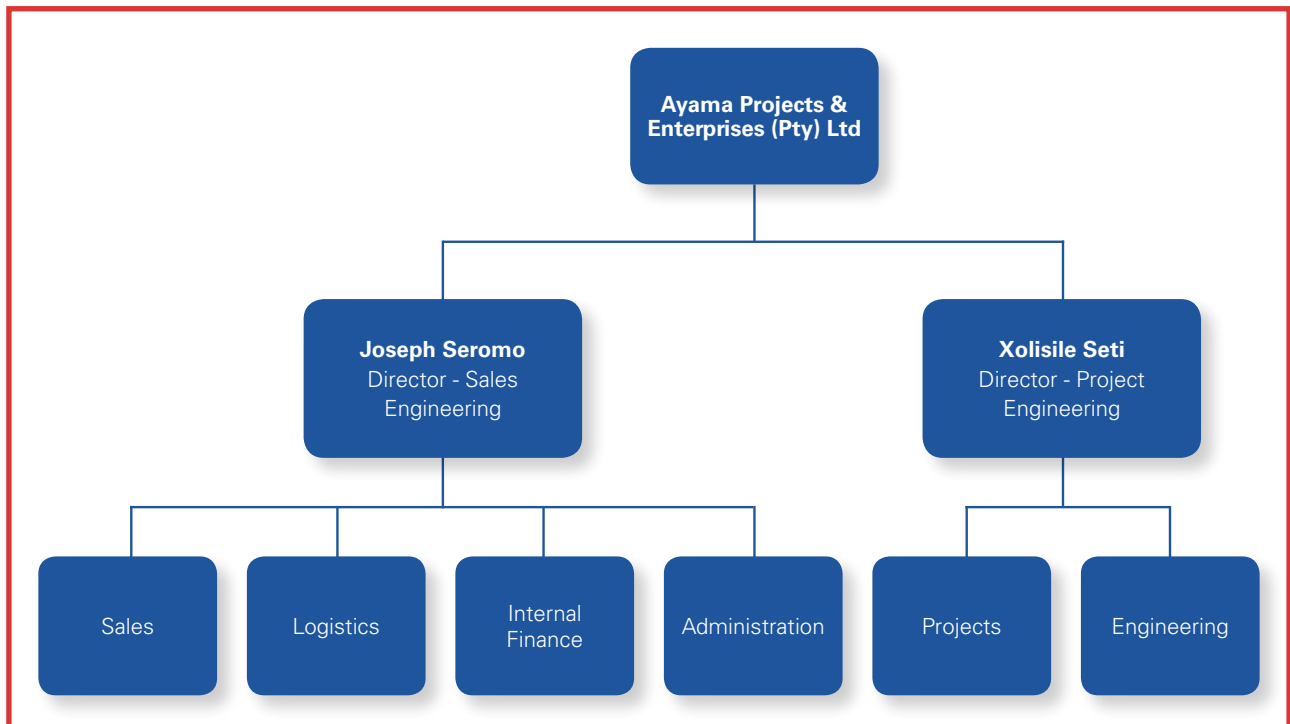
Condition Monitoring



Energy Management



Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

The COVID-19 pandemic in 2019/20 forced countries to implement lockdowns. Ayama therefore had to relook at their projects and cancel some of them.

Revenue decreased by 54% in one year. Profits also followed suit reducing by 78%, however, cost of sales decreased at a lower rate of 50.5%. This resulted in a negative gross profit margin.

Overall, the company experienced financial decline due to increased cost of sales, increasing overheads, and cash flow management, which lead to Ayama Projects requiring BT&R intervention.

BT&R Strategy

Productivity SA practitioners focused on nurturing, Champions Training, in-depth assessment and also created a workplan internally. Two interventions were implemented. Anrid Consulting (Pty) Ltd implemented a sales and marketing strategy while the Competitiveness Improvement Services division implemented another intervention with in-house expertise.

Champions Training was also implemented for the entity to teach them about the everyday aspects of a business, including the following:

- how to calculate productivity;
- how to measure productivity;
- how to implement an effective project management plan;
- how to track costs and mitigate wasteful expenditure;
- how to develop an early warning system; and
- how to introduce productivity in daily project/manufacturing-based environments.

Marketing strategy

Channel	Method	Strategy	Purposes	Estimated Budget (3.5% of expected revenue)	
				Monthly/ Quarterly	Annual
Direct marketing	Cold calls, face to face, telephonic and email	Increase the number of cold calls per month	Interpersonal and client facing thus exposure to business culture	n/a	n/a
Online marketing	Website, LinkedIn, banner ads – Africa Mining IQ, Engineering News and other industry relevant sites	Set up LinkedIn profiles and a LinkedIn company page	Raise owners' industry profile as leaders in their field. Building the business brand.	R1 500.00	R18 000.00
Print media	Brochures, business cards	Maintain up to date company brochures including track record, mega projects, specialised projects	Complimentary to maintaining a professional image and demonstrating company capabilities	R460.00	R5 500.00
Corporate social investment	Undertaking small community-based projects within the trade vicinity where the business operates	Seek 1 to 2 projects per year to invest in	Demonstrating care as well as corporate citizenship thus contributing to PR and exposure	R125 000.00 quarterly	R500 000.00
Social media	X, LinkedIn	Register and set up profiles	Exposure to industry peers, leaders and contribution to conversations thus increasing company exposure	n/a	n/a
SEO	Search engine optimisation	Set up keyword searches	Increase online visibility and exposure	R1 000.00	R12 000.00
Corporate branding	Branded merchandise like staff uniforms, calendars, stationery, pull-up banners	Source designers and printers for quality brochures and marketing materials	Exhibits a professional image and useful at trade shows and expos	R12 500.00 (quarterly)	R50 000.00
Events	Expos, roadshows, trade shows, golf days, Mining Indaba	Explore 1 per quarter to attend. 3 local and 1 international.	Exposure to industry leaders, mega project pipelines, industry peers, industry leaders, new prospective clients and markets	R125 000.00 (quarterly)	R500 000.00
Publications	Articles and newsletters	Publish articles on completed projects that raise industry credibility	Increased exposure and a demonstration of business capabilities	n/a	n/a
Industry databases	Subscription and registrations	Database subscriptions to acquire industry reports and stats	Access to accurate industry data that informs decisions based on current information	R3 500.00	R42 000.00
Total					R1 127 500.00

Sales Strategy and Leadership Training

This strategy advised the following;

- Secure more business by fostering existing client relationships and seeking ways to implement additional maintenance and repair services.
- Increase sales and find new clients in the same market segments through responding to RFQs, weekly tenders and registering on all relevant supplier databases.
- Utilise existing track record and references from the mining industry to tender and expand into other mines.
- Find new clients through trade shows, exhibitions, and roadshows.
- Increase awareness of products and services to existing clients.
- Tap into new markets like petrochemical and other segments.
- Cost containment.

Goal	Target	Strategies	Tactics/Messages	Calendar	Measurement
Specific, measurable objectives to accomplish in an established time period.	Specific targets, reachable segments of people with similar needs or interests, motivations, demographics, locations, etc.	Strategies to attract the specific people or organisations you're trying to reach with a compelling offer that meets their interests/needs.	Tools or channels you'll use to reach your targets. What's unique about your story/projects/ services/bio/history that connects with your target audience? Which message will be persuasive?	Specify which activities you will do daily, weekly, monthly or quarterly to achieve your goals. What time of day or day of the week is most effective for each activity?	How will you track results? How will you compare the effectiveness of each tactic? How will you calculate the time/ money/number of contacts it takes to attract/retain each customer/client?
Increase existing customer footprint	Original Equipment Manufacture (OEMs)	<ul style="list-style-type: none"> Aggregate and list the number of OEMs in the industry Filter the one's relevant in our sector/s Cold call 	<ul style="list-style-type: none"> Utilise existing OEM references Make reference to experience and previous projects (industry track record), as well as capabilities, capacity and competencies Utilise our existing client base for referrals 	Bi-weekly	<ul style="list-style-type: none"> Number of meetings attracted through this approach Number of signed and approved SLA agreements. OEM referrals converted to sales
Increase existing customer footprint	Mines	<ul style="list-style-type: none"> Cold call Request referrals from existing relationships Request to do presentations at engineering monthly meetings 	<ul style="list-style-type: none"> Email and physical visit Use industry track record as a reference to capabilities and talking points Using past successes as talking points 	Weekly	<ul style="list-style-type: none"> Number of RFQs/ tenders received Number of new operations visited
Increase existing customer footprint	Energy (Eskom)	<ul style="list-style-type: none"> Cold call Request referrals Request to do presentations at engineering monthly meetings Portal and e-tenders 	<ul style="list-style-type: none"> Email and physical visits Using existing relationships as a talking point Using past successes as talking points Review client/ central portal for advertised RFQs/ tenders 	Weekly	<ul style="list-style-type: none"> Number of RFQs/ tenders received Eight visits per week Target increased revenue
Increase existing customer footprint	Transportation (Transnet and ACSA)	<ul style="list-style-type: none"> Cold call Request referrals Request to do presentations at engineering monthly meetings Monitor RFQ portal and e-tenders 	<ul style="list-style-type: none"> Email and physical visit Using existing relationships as a talking point Using past successes as talking points Review client/ central portal for advertised RFQs/ tenders 	Weekly	<ul style="list-style-type: none"> Number of RFQs/ tenders received Eight visits per week Target increased revenue
Increase existing customer footprint	Water Departments	<ul style="list-style-type: none"> Cold call Request referrals Request to do presentations at engineering monthly meetings Monitor RFQ portal and e-tenders 	<ul style="list-style-type: none"> Email and physical visit Using existing relationships as talking points Using past successes as talking points Review client/ central portal for advertised RFQs/ tenders 	Weekly	Number of RFQs/ tenders received

Goal	Target	Strategies	Tactics/Messages	Calendar	Measurement
Increase existing customer footprint	Manufacturing	<ul style="list-style-type: none"> Aggregate and list the number of manufacturing companies per area Filter the ones relevant to our industry Email and cold call 	<ul style="list-style-type: none"> Use existing SLA agreement for client's peace of mind Utilise past experience and existing skill set to establish credibility Utilise our client base to establish credibility 	Monthly	<ul style="list-style-type: none"> Number of meetings attracted through this approach Number of RFQs/ tenders received
Increase existing customer footprint	Pulp and Paper	<ul style="list-style-type: none"> List customers per area Email and cold call 	<ul style="list-style-type: none"> Use existing SLA agreement for client's peace of mind Utilise past experience and existing skill set to establish credibility Utilise our client base to establish credibility 	Monthly	<ul style="list-style-type: none"> Number of meetings attracted through this approach Number of RFQs/ tenders received

BT&R Involvement/Interventions

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1	Declining sales	Develop and implement strategy with action plan	Formal electronic sales strategy with actionable plan. Sales engineer job description and recruitment tips.
Intervention 2	The owners were not sure whether their leadership style was working effectively and whether it needed improvement	Leadership training	The Leadership presentation focused on leadership styles for improved productivity. The leaders were introduced to lean tools (5 Whys) and the Plan, Do, Check, Act (PDCA) cycle for continuous improvement.

Results

The entity decided to continue with the assistance from Anrid Consulting (Pty) Ltd on an ad-hoc consultant basis with regards to their sales growth journey. Productivity SA also kept in touch to monitor their progress. The owners Xolisile Seti and Joseph Seromo have worked remarkably hard to gain market share and increase their client base, continentally. Some key achievements include:

- Increased number of employees to 15 (with some project-based employees).
- Sales increased substantially when the entity joined the BT&R Programme. From 2021 to 2023 an astonishing 276% increase in sales resulted in a positive cash balance as at February 2023 for the first time since 2020.
- The company is growing despite inflation and economic challenges which are hindering cost containment.
- A substantial increase in clients, including a partnership deal with ABB. Ayama has the engineering knowledge and services to execute projects in partnership using ABB products.
- An increase in orders from Malawi, Angola and Sasol projects via ABB who are also tendering through Eskom. This has resulted in an overall increase in market share.
- New clients in Zambia include Mopane, First Quantum and Barrick.
- Increased revenue has allowed Ayama to start employing interns who were part of the Leadership training.
- Relationships with OEMs are showing positive results, and profit margins are substantially better in the other African countries in comparison to South Africa.

Highlights of the Project

- Despite challenges increasing the number of employees due to a skills shortage, and struggling to find experienced and well-rounded sales engineers and artisans, the entity was able to bring on interns as well as grow their headcount.
- The entity is focused on building strategic business partnerships with OEMs that have an international reputation and footprint.
- A separate budget needs to be set aside by the entity for the continued implementation of a sales or marketing plan to make sure the entity can implement all its requirements.
- The two directors continuously encourage their staff to take on further learning and enrich their skill sets.
- Costs were mitigated swiftly by ensuring that the abuse of items like credit cards during project travels is mitigated.
- To also curb costs, especially within the store room and workshop, the owners installed a biometric entry/exit system to ensure that valuables are kept safe.

Project Innovation

To ensure continuous innovation, the following actions are recommended:

- Keeping track of the cost of sales and continue to introduce cost containment measures.
- Utilising project management costing templates to track their project costs and timelines.
- Developing a business development plan as the company continues to grow rapidly, which includes an unobstructed vision of the future and the organisational structure.
- Investing in sales and marketing to achieve increased revenue.
- Negotiating longer term contracts and continuing to nurture relationship with OEMs in the electrical industry.
- Ensuring excellent service to large clients like ABB and Rand Water.
- Understanding and taking advantage of the market shift towards independent power producers as well as the continued introduction of renewable energy like solar.
- Continuously gaining market share in the wider African region, which is critical for continued company growth.

Snapshot of all the achievements include:



Conclusions

Revenue and gross profits are now even healthier than in the pre-COVID-19 lockdown era. The entity is no longer in financial distress or operational distress. The owners are confident that the company will surpass the 2023 record revenue when they close their financials in February 2024. The entity has the vision to continue to increase employment. Congratulations to the two directors who have worked tirelessly to gain market share and generate revenue for the entity.

Region 2

Prestige Clothing Maitland (Pty) Ltd

Company Details

Company Name:	Prestige Clothing Maitland
Region:	2
Province:	Western Cape
City of Operation:	Cape Town, Maitland
Project Manager:	Cosmo Cloete
Service Provider/s:	John Montanari from BSGV (Deliverable 2)
Client Project Number (Region):	RGN2019
Size of the Company/ Organisation/Group:	Large (> 1000 employees)
Operational Sector:	Manufacturing – Clothing
Source of Referral Leads:	Organised Labour – SACTWU
Date of Acceptance Letter:	8 June 2021
Date Project Closed (Last signatory date in the Closeout Report)	28 September 2022
Case Study Written by:	Cosmo Cloete



Introduction

Company Background

Prestige Maitland was founded in 1989 by Graham Choice with only six employees supplying high-quality garments to several retail customers.

For three decades, Prestige Clothing manufactured garments for various retail customers. When they became a privately owned cut, make and trim (CMT) business, their major customer was the retail giant, The Foschini Group (TFG). In 2008, Prestige Clothing Caledon was established and quickly grew into an incubation hub for what is TFG's single biggest t-shirt plant in the local supply chain today. In 2012, Prestige Clothing (Pty) Ltd was officially acquired by TFG and has grown immensely since then.

At the inception of the BT&R Programme (June 2021), Prestige Maitland had a staff complement of 715 employees consisting of 668 permanently employed employees and 47 contract employees. At the time of compiling the close-out report, the total staff complement was recorded at 1 024 employees. This resulted in a total workforce increase of 43%. The workforce increase can primarily be attributed to TFG's growth strategy, which included the acquisition of additional manufacturing facilities to increase capacity.

Purpose		Vision	
We inspire our customers to		TO CREATE THE MOST REMARKABLE	
LIVE THEIR BEST LIVES		omnichannel experiences for our customers	
As a large, multi-brand, multi-segment fashion and lifestyle retailer, we sell products that touch every aspect of our customers’ lives. This creates endless opportunities to inspire them.		This is the future of retail and goes to the heart of how we will bring our traditional bricks and mortar and new digital worlds together to offer a truly seamless customer experience.	
Values			
These values guide and inspire every individual within TFG, helping them remember that they are part of something bigger than themselves.			
WE PUT OUR CUSTOMERS FIRST		WE WORK SMART AND FAST	
<i>If we do not please our customers, they will find someone who does.</i>		<i>Today, staying in the same place means becoming irrelevant.</i>	
<ul style="list-style-type: none">• We deliver the best quality customer outcomes by putting data and analytics at the heart of our decision-making.• We embrace new ideas, technologies and innovations that help deliver the right product and the best shopping experiences to our customers.• We ask questions and track the impact of our actions to continually enhance the customer experience, making sure we never lose a sale.		<ul style="list-style-type: none">• We take quick, effective and decisive action using data-led insights.• We constantly push ourselves and one another to maximise the impact of our actions and find better ways to serve our customers.• Our entrepreneurial spirit is brought to life by our ‘out of the box’ problem solving and our commitment to fresh ideas and thinking.• We know we do not have all the answers, but we push boundaries, take risks, try new things and grow from our experience.	
		WE DO THE RIGHT THING	
		<i>And we do things right.</i>	
		<ul style="list-style-type: none">• We care deeply about what we do and how we do it, taking accountability even when no one is looking.• We are inclusive, we embrace diversity and treat everyone with equal dignity.• If we make mistakes, we own them, rectify them and use them to learn for the future.• We build on the strengths of our heritage but are committed to continuous improvement for generations to come.	

Figure 1: TFG's Purpose, vision, and values

Company Products and Services

Prestige Clothing Maitland specialises in the manufacturing of ladies' outerwear. Prestige Clothing Maitland is one of many clothing manufacturers within the TFG manufacturing portfolio.

Figure 2 illustrates an overview of TFG's *products per retailer* while Figure 3 indicates the various *retailers* within TGF's portfolio.

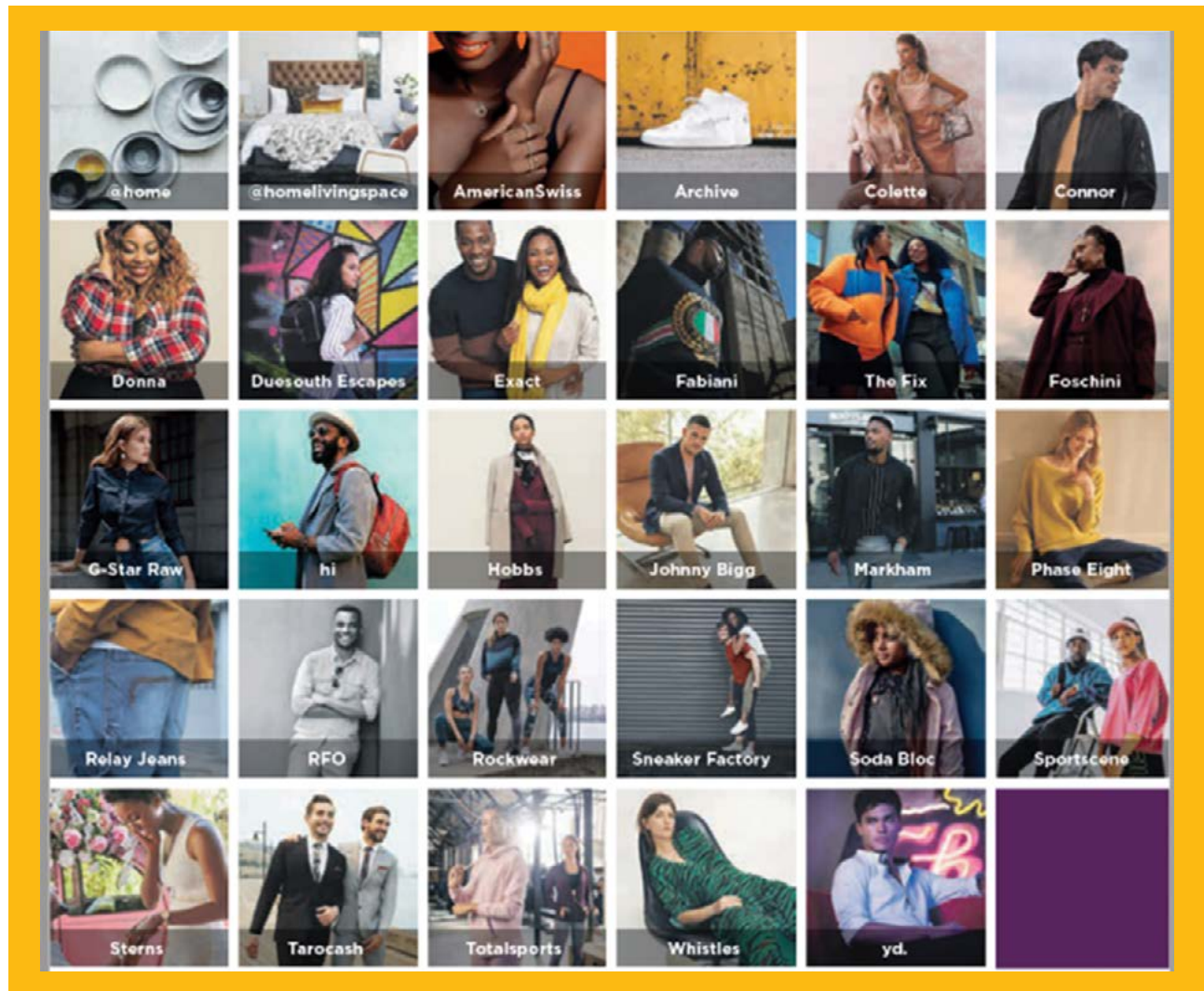


Figure 2: TFG's product overview per retailer¹



Figure 3: Retail brands in TFG's portfolio¹

¹ https://tfglimited.co.za/wp-content/uploads/2020/09/TFG_FY20-Sustainability_Report_FINAL.pdf

Company Structure

At the time of compiling this report, the client did not respond to requests for an updated organisational diagram. The high-level organisational structure of Prestige Clothing Maitland as depicted in Figure 4, is outdated.

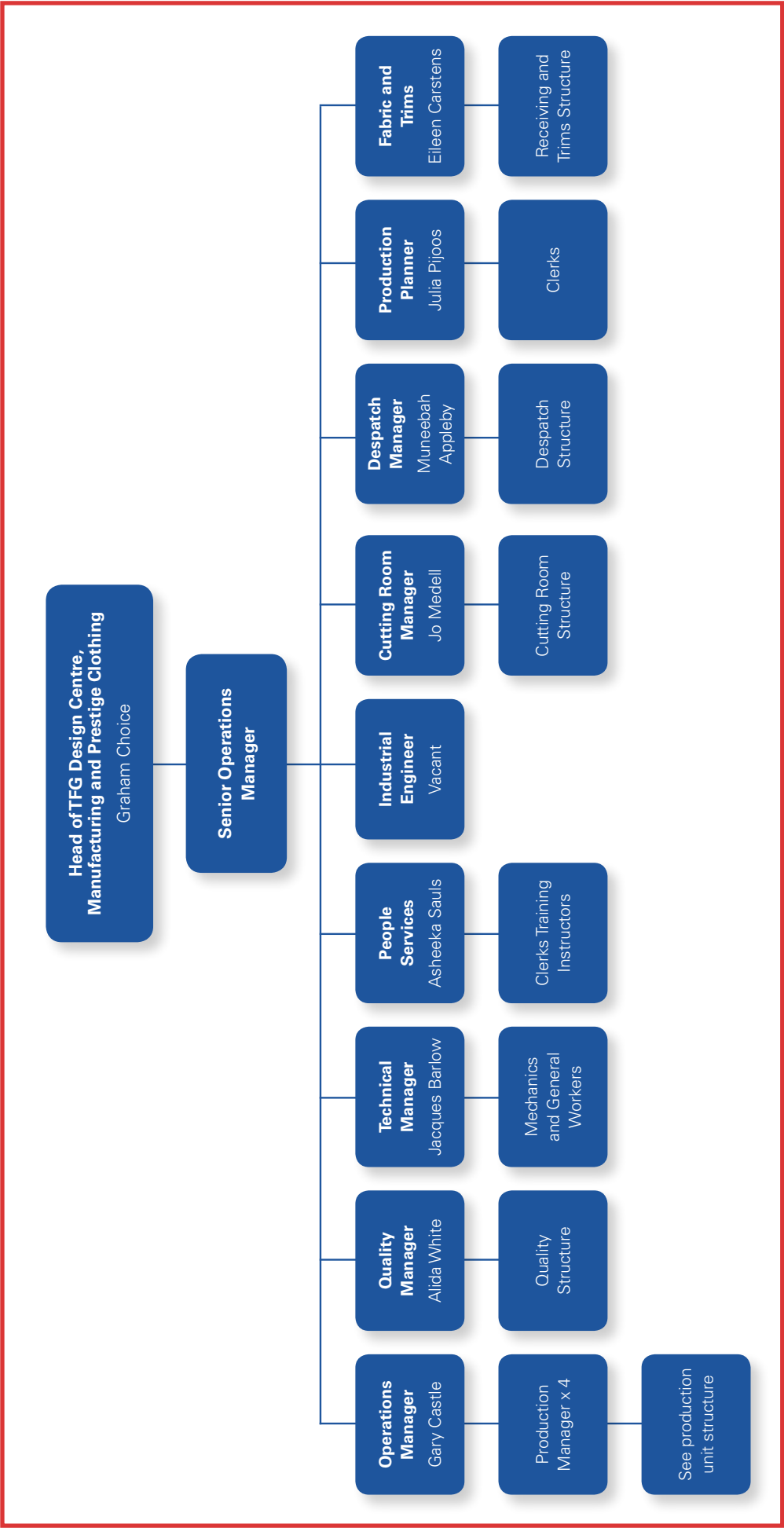


Figure 4: High-level organisational structure of Prestige Clothing Maitland

Reasons for Requiring the BT&R Intervention – Challenges

The work plan (dated January 2022) which included key results of the financial analysis report (dated May 2021) summarised the company's financial decline as follows:

- The risk of failure was mainly driven by a significant drop in profitability, irrespective of an increase in sales.
- Between 2018 and 2019, the improvement in the profitability of the business was driven by an increase in both gross and operating profit margins.
- The decrease in the return on operating assets (of 16.1%) between 2019 and 2020 was driven by a decrease in both the gross and operating profit margins.
- The value of sales increased during the period under review. The business has a high operational gearing, which means that changes in sales will have a direct impact on the operating profit margin.
- Cost of sales as a percentage of sales decreased between 2018 and 2019 at 10.9% and 9.5% respectively and increased to 10.57% in 2020. The increase in the cost of sales during the latter period affected profitability negatively.
- The cost of labour varied during the period under review and comprised 83.4% of sales in 2020. Because labour is a significant resource for the business, high labour productivity is a requirement to ensure optimum profitability.
- The business maintains high levels of debt, is generating operating losses and is unable to cover its interest obligations as they become due. This will result in increased levels of long-term debt thus increasing the financial gearing of the business, further increasing the business risk. The profitability of Prestige Maitland declined during the period under review, despite the year-on-year increase in sales. Being a cut, make and trim (CMT) business, labour cost is the highest cost item relative to sales and constitutes more than 80% of the cost structure.

BT&R Strategy

Prestige Maitland is a large and complex business with many functional departments and an integrated operational system creating many challenges. Given this complexity and budgetary constraints, the interventions primarily focused on the Fabric/Trim store and Cutting room because these areas are the internal suppliers to the sewing lines. The following improvement initiatives were implemented:

1. The development and implementation of an internal customer and supplier service level agreements system (SLA-S) (i.e., between the Fabric/Trim store and the Cutting room).
2. Facilitating and implementing a workplace organisation project in the Fabric and Trims Receiving store.

The expected impact of the interventions was to improve the baseline delivery performance of the Fabric and Trim store and improve the workplace organisation in the Fabric and Trim store.

BT&R Involvement/Interventions

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1	Prestige Maitland is a large and complex business with many functional departments and an integrated operational system creating many different challenges as outlined in the work plan dated February 2022. These functional areas are interconnected and cannot perform optimally or improve (together) without effectively communicating requirements.	The development and implementation of an internal customer and supplier service level agreement system (SLA-S)	<ul style="list-style-type: none"> • Developed a service level agreement system (SLA-S) that included three primary elements, namely <ol style="list-style-type: none"> (i) identified key stakeholders; (ii) developed performance measures; (iii) provided feedback and improved performance. • Trained and mentored managers and supervisors from the Stores, Cutting and Production (sewing lines) departments on the SLA-S.

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 2	<p>During the in-depth assessment, the following key issues in the <i>Fabric and Trims Receiving Store</i> were highlighted and documented in the workplan:</p> <ul style="list-style-type: none"> • Space constraints; • Excessive stock movement; • Searching for stock items is time-consuming; and • No standard for returning fabric rolls and trims. 	Assessed and improved workplace organisation in the Fabric and Trims Receiving Store.	<p>To address key challenges, the following major solutions were implemented:</p> <ul style="list-style-type: none"> • Training store personnel in workplace organisation and standardisation; • Investment in double-level shelving for storing fabric rolls; • Staging of fabric rolls for use in other departments such as cutting; • Active management and dedicated and organised storing of 'returns'. • Implementation of STYLE man V11 an apparel business management software.

Results

The following deliverables were implemented, and the results achieved were as follows:

1. The development and implementation of an internal customer and supplier service level agreement system (SLA-S).

This improvement rendered the following preliminary results and impact:

- Fabric and Trims Receiving Store (Figure 5)
 - Planning department – timeliness improved by 66%; accuracy by 33% and responsiveness by 100%.
- Cutting area (Figure 6)
 - Planning department – responsiveness improved by 100%.
 - Fabric and Trims Receiving Store – accuracy improved by 300%.
 - Fabric Quality Assurance (FQA) – responsiveness improved by 100%.
- Sewing lines or Production (Figure 7)
 - Planning department – responsiveness improved by 100%.
 - Fabric and Trims Receiving Store – timeliness improved by 50%.

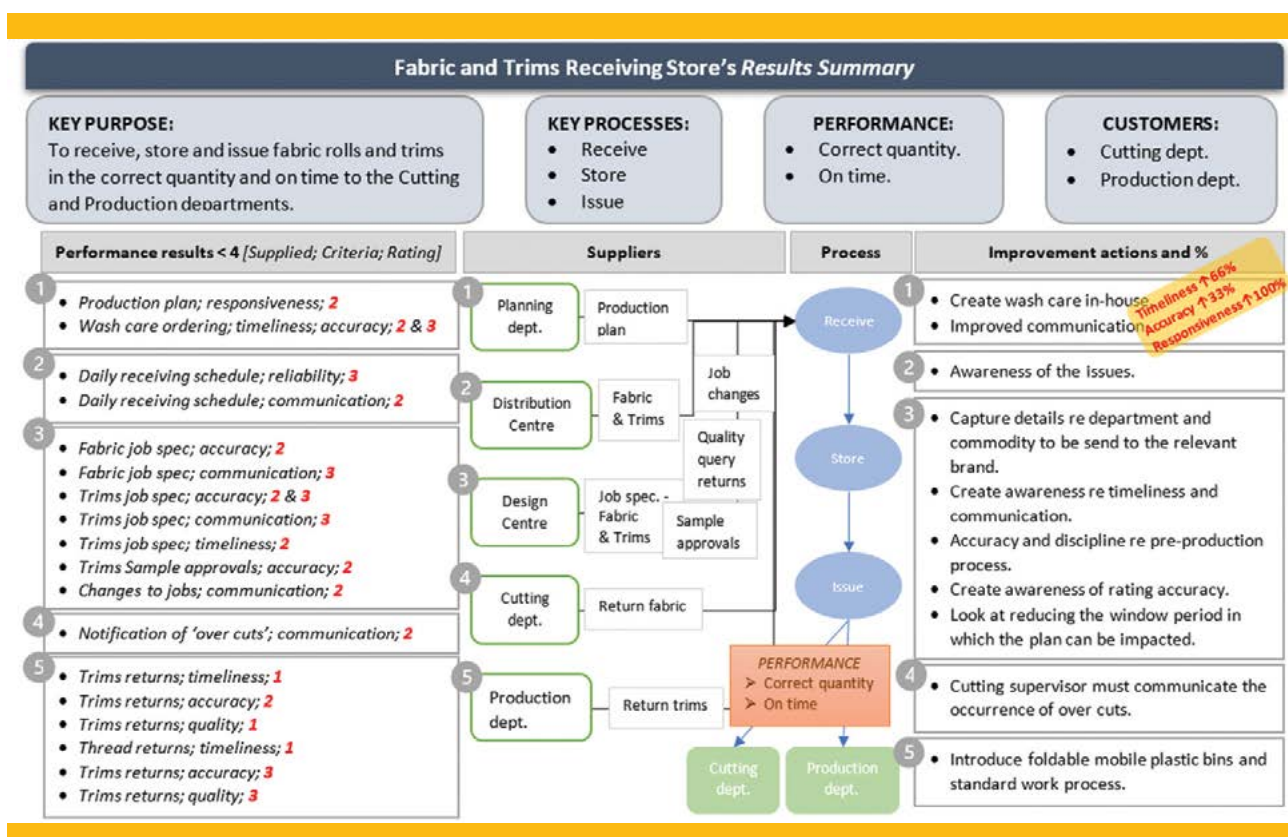


Figure 5: Fabric and Trims Receiving Store's Results Summary

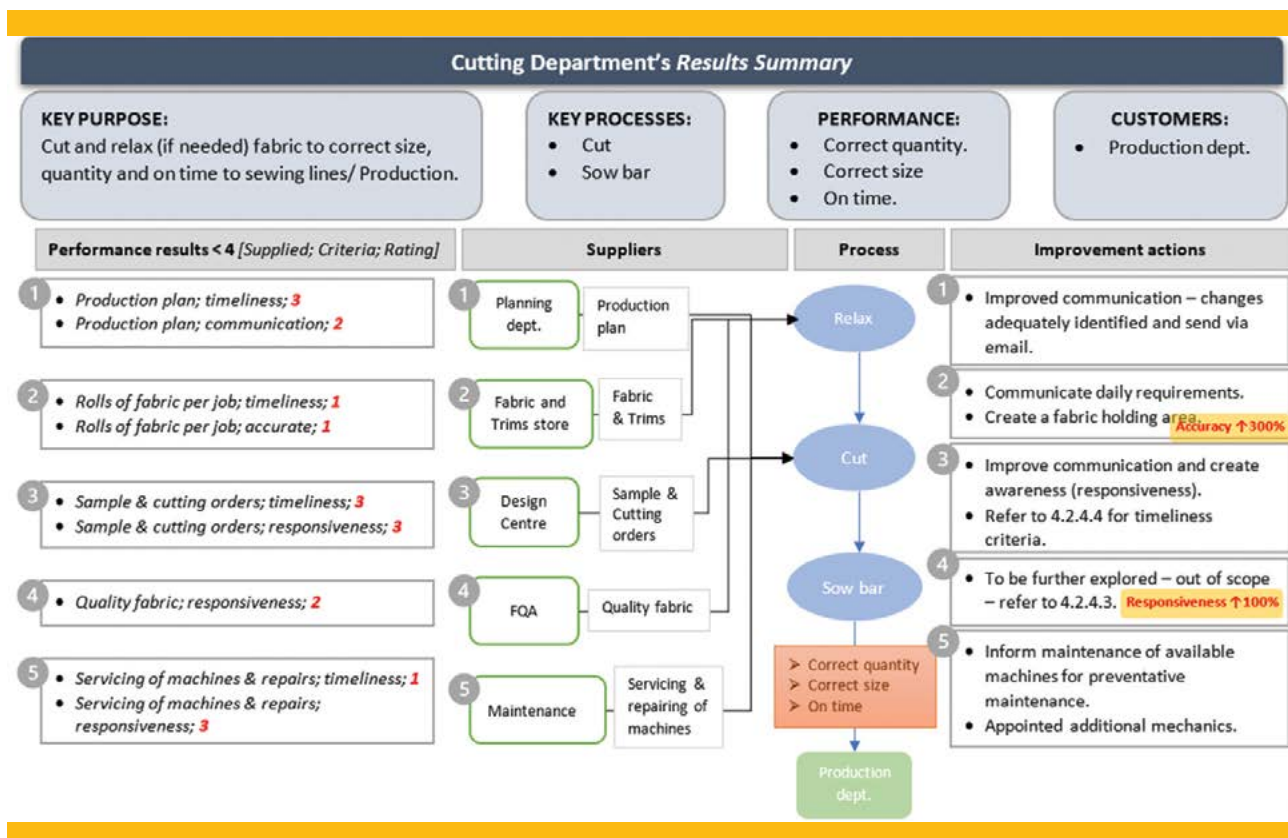


Figure 6: Cutting Department's Results Summary

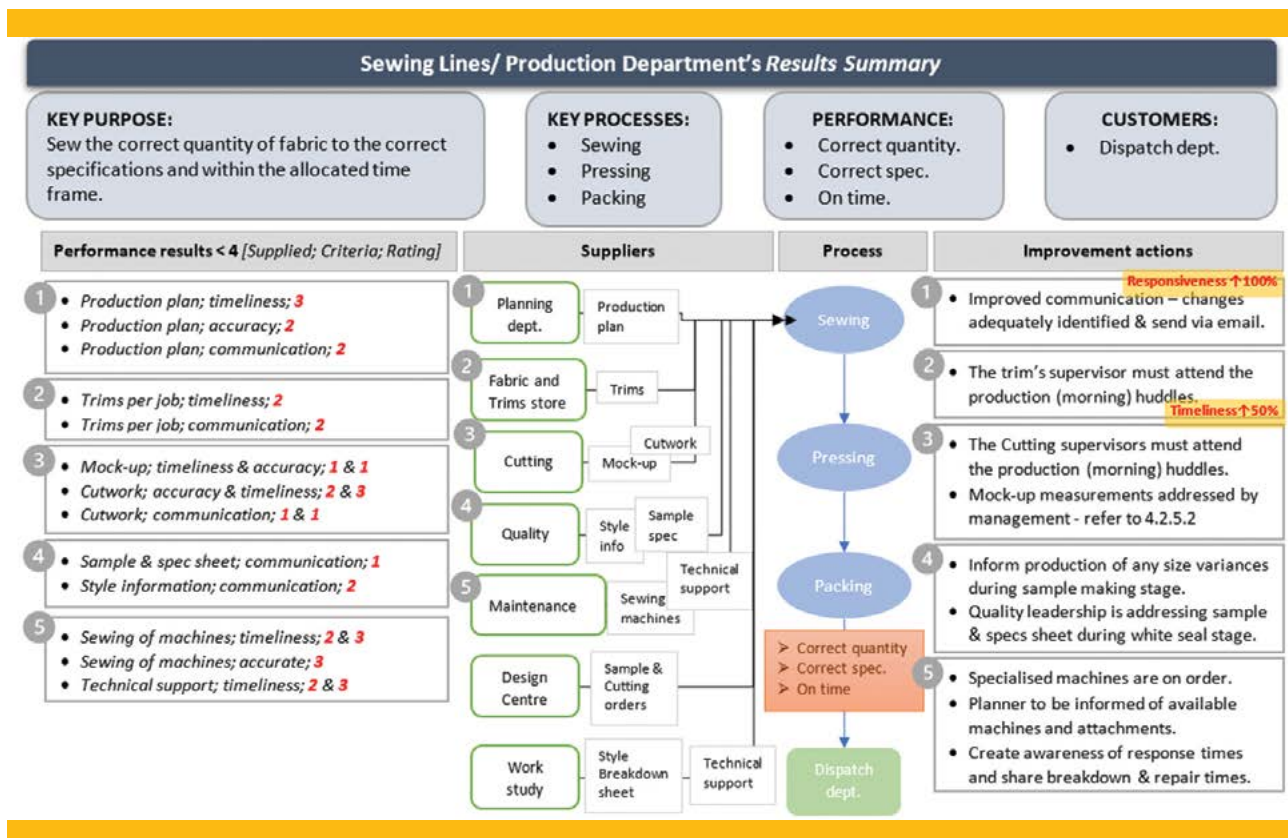


Figure 7: Sewing line's Results Summary

2. The implementation of workplace organisation in the Fabric and Trims Receiving Store.

The following major solutions were implemented:

- Training of store personnel in workplace organisation and standardisation;
- Investment in double-level shelving for storing fabric rolls;
- Staging of fabric rolls for use in other departments such as cutting;
- Implementing STYLE man V11, an apparel business management software; and
- Active management and dedicated and organised storing of 'returns.'

These solutions rendered the following preliminary results and impact:

- 38% saving in stock management movement;
- Freed up approximately 5% of floor space and 10 trolleys (10 to zero trolleys) through the active management of returns (refer to Figure 8 and Figure 9);
- 40% increase in capacity through the introduction of double-level shelving;
- 18 times saving in moving waste over four people with the implementation of fabric staging (refer to Figure 10); and
- 40% improvement in Workplace Organisation in the Trim Store area (refer to Figure 11 and Figure 12).

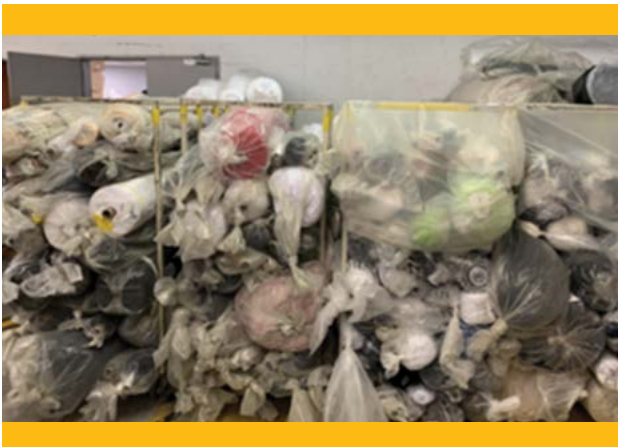


Figure 8: Fabric returns 'BEFORE'



Figure 9: Fabric returns 'AFTER'



Figure 10: Newly implemented staging area with space between racking

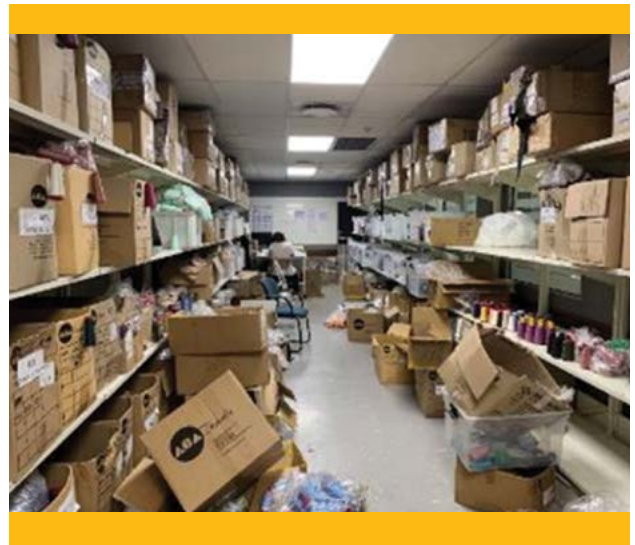


Figure 11: Trims store 'BEFORE' workplace organisation

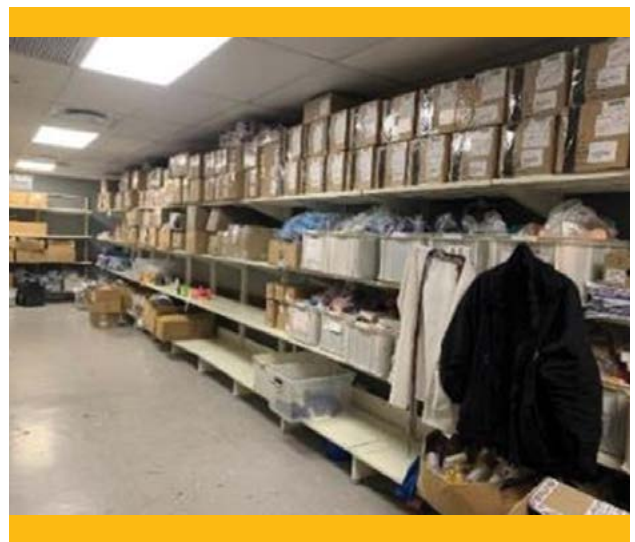


Figure 12: Trims store 'AFTER' workplace organisation implementation

Highlights of the Project

Some of the highlights of the project were:

- The excitement and enthusiasm of the teams that participated in the project deliverables. They responded very well to the training which involved learning through playing games.
- The service level agreement meetings between departments addressed internal customers and supplier deliverables between departments. These meetings created accountability for the teams to solve their problems and meet the targets they set out.

Project Innovation

The SLA-S framework (Figure 13) was developed and customised for this project and its purpose.

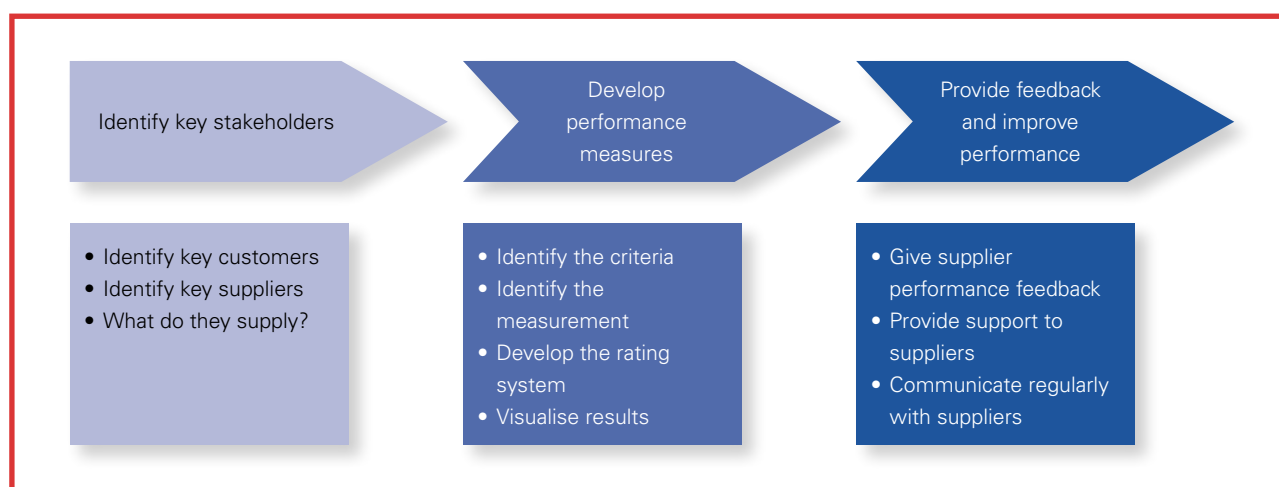


Figure 13: Service Level Agreement System (SLA-S) framework

An extract from the SLA-S is illustrated in Figure 14.

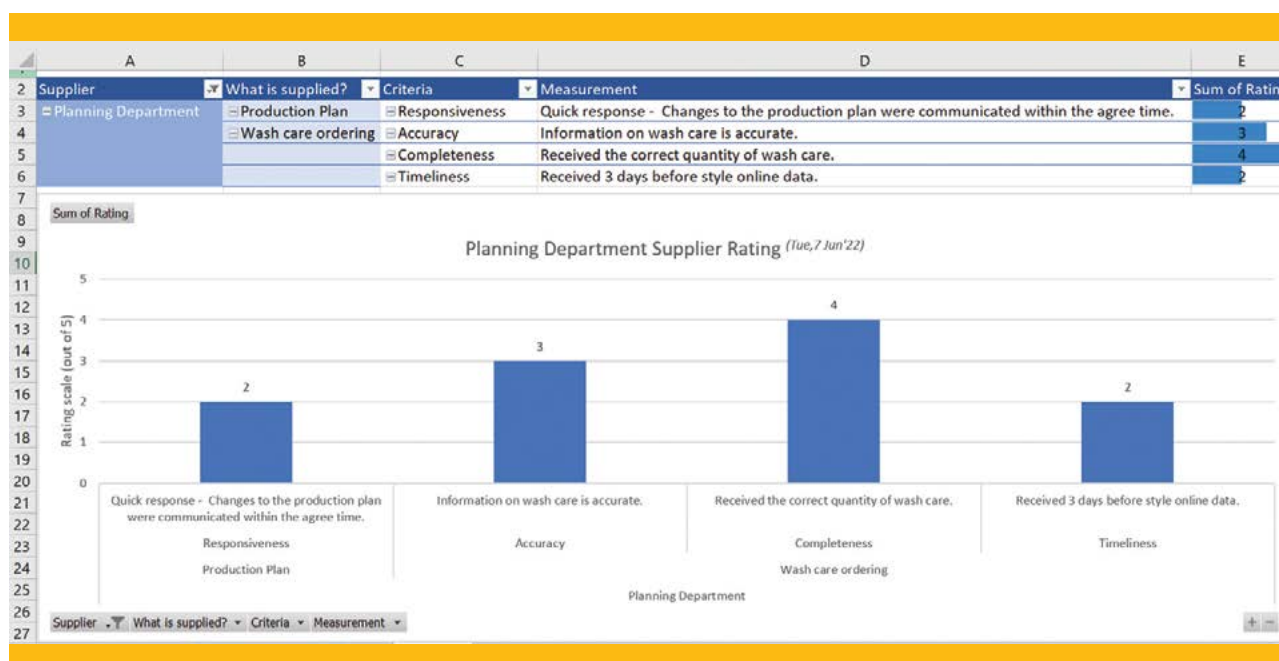


Figure 14: Extract of the SLA-S (Production planning's performance rating as a supplier to the Fabric and Trims Receiving Store)

The managers and workers were trained in the basic principles of the system and were part of the entire development (as depicted in Figure 15).



Figure 15: Practical training and group sessions – SLA-S

Key insights gained during the implementation of this deliverable were as follows.

- Service level agreements are the starting point for good supplier partnerships.
- Developing good supplier partnerships or relationships is a mindset that must be developed, and it takes time.
- The SLA-S must be supported by top management.
- It requires regular and constructive meetings between all the relevant parties.
- It is a relatively easy system to implement and shows a positive impact towards achieving departmental and business goals.

Conclusions

Both deliverables; an internal customer and supplier service level system; and a workplace organisation system, as outlined in the work plan were completed and implemented within the prescribed period (considering the approved deviation requirement).

It is recommended that Prestige Maitland considers applying for Productivity SA's Workplace Challenge Programme which focuses on assisting businesses to successfully transition into a culture of continuous improvement.

Region 2

Garner Wafers and Confectionery (Pty) Ltd



Company Details

Company Name:	Garner Wafers and Confectionery
Region:	2
Province:	Western Cape
City of Operation:	Cape Town, Maitland
Project Manager:	Cosmo Cloete
Service Provider/s:	Martin Steenkamp (Deliverable 3)
Client Project Number (Region):	RGN2003
Size of the Company/ Organisation/Group:	Medium (> 80 employees)
Operational Sector:	Manufacturing – Food / Confectioner
Source of Referral Leads:	Department of Trade, Industry and Competition (DTIC)
Date of Acceptance Letter:	15 January 2021
Date Project Closed (Last signatory date in the Closeout Report)	14 January 2022
Case Study Written by:	Cosmo Cloete



Introduction

Company Background

Garner Wafers and Confectionery (GWC) is a small to medium-sized confectionery manufacturing company that specialises in the manufacturing of wafer products and associated confectionary products. They are based in Epping Industrial 2, in the Western Cape and are owned by Ms Elsabe Hoal and Mr Shaheed Hendricks. Currently, GWC has a Level 2 B-BBEE status with a 125% B-BBEE (procurement) recognition level.

At the initiation of the programme, GWC had a staff complement of 123 of which 54 staff members were permanently employed and 69 were seasonal workers.

Company Vision

Figure 1 presents GWC’s vision, mission, and core values.

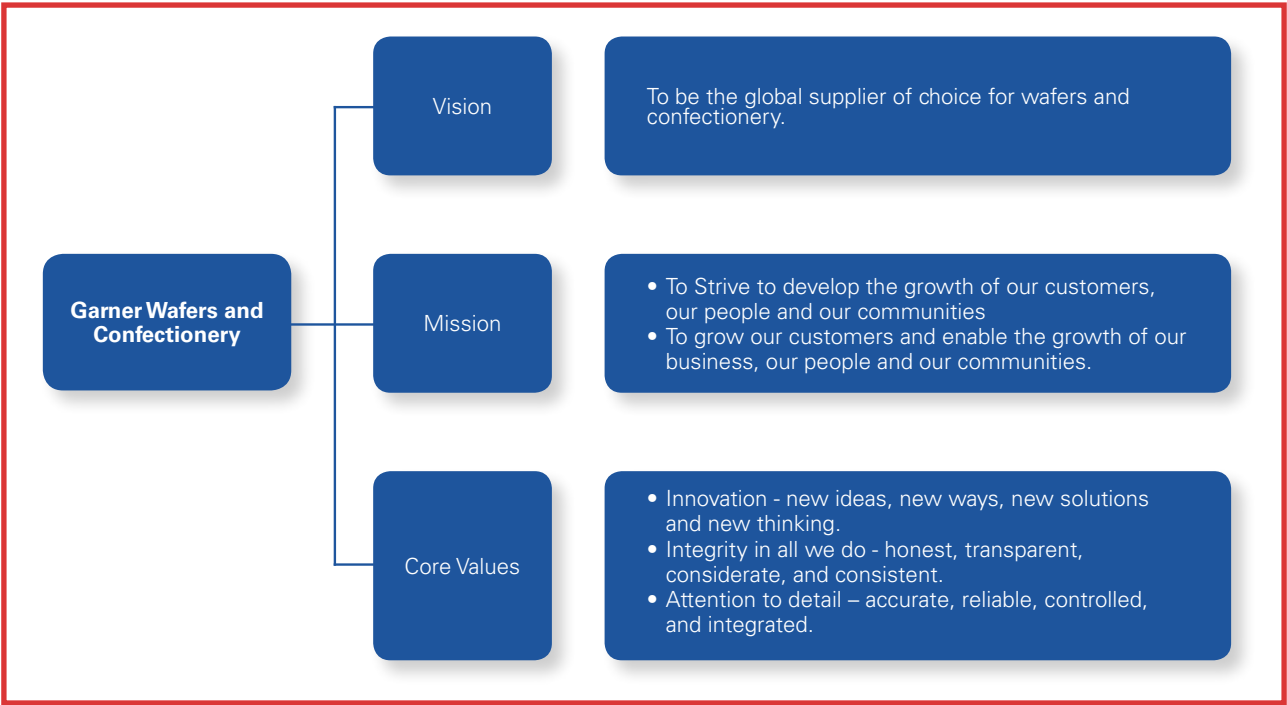
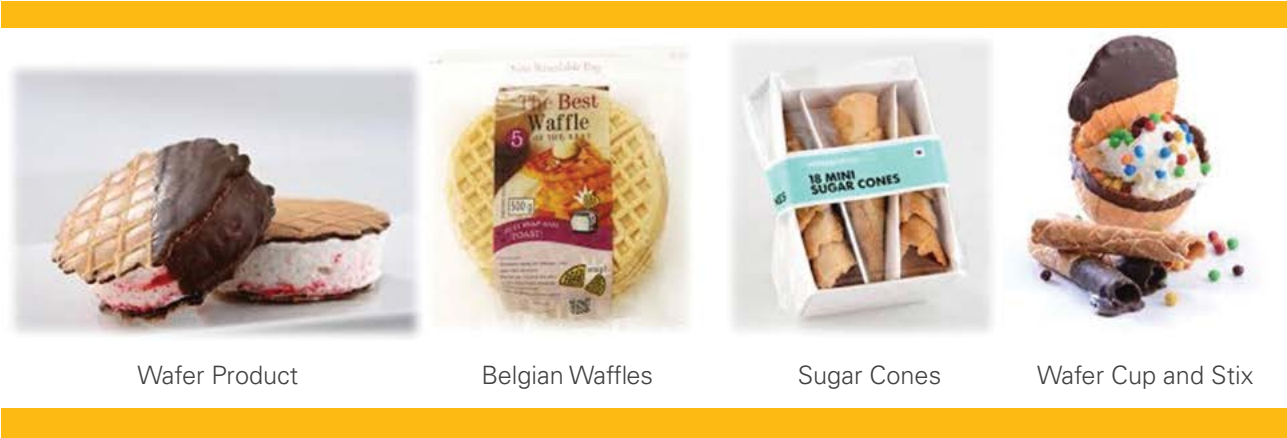


Figure 1: GWC’s vision, mission, and core values

Company Products and Services

GWC is a small to medium-sized confectionery manufacturing company that specialises in the manufacturing of wafer products and associated confectionery products. Their product range includes sugar cones and wafers, sauces and syrups, Belgian waffles, chocolates, frozen desserts, ice cream and ice cream coatings.



Company Structure

The organisation is managed by two chief operating officers, as joint CEOs, with four primary functional areas for which they either take responsibility jointly or individually as depicted in Figure 2.



Figure 2: Visual summary of GWC's organogram

Figure 3 displays the organogram for GWC during 2020.

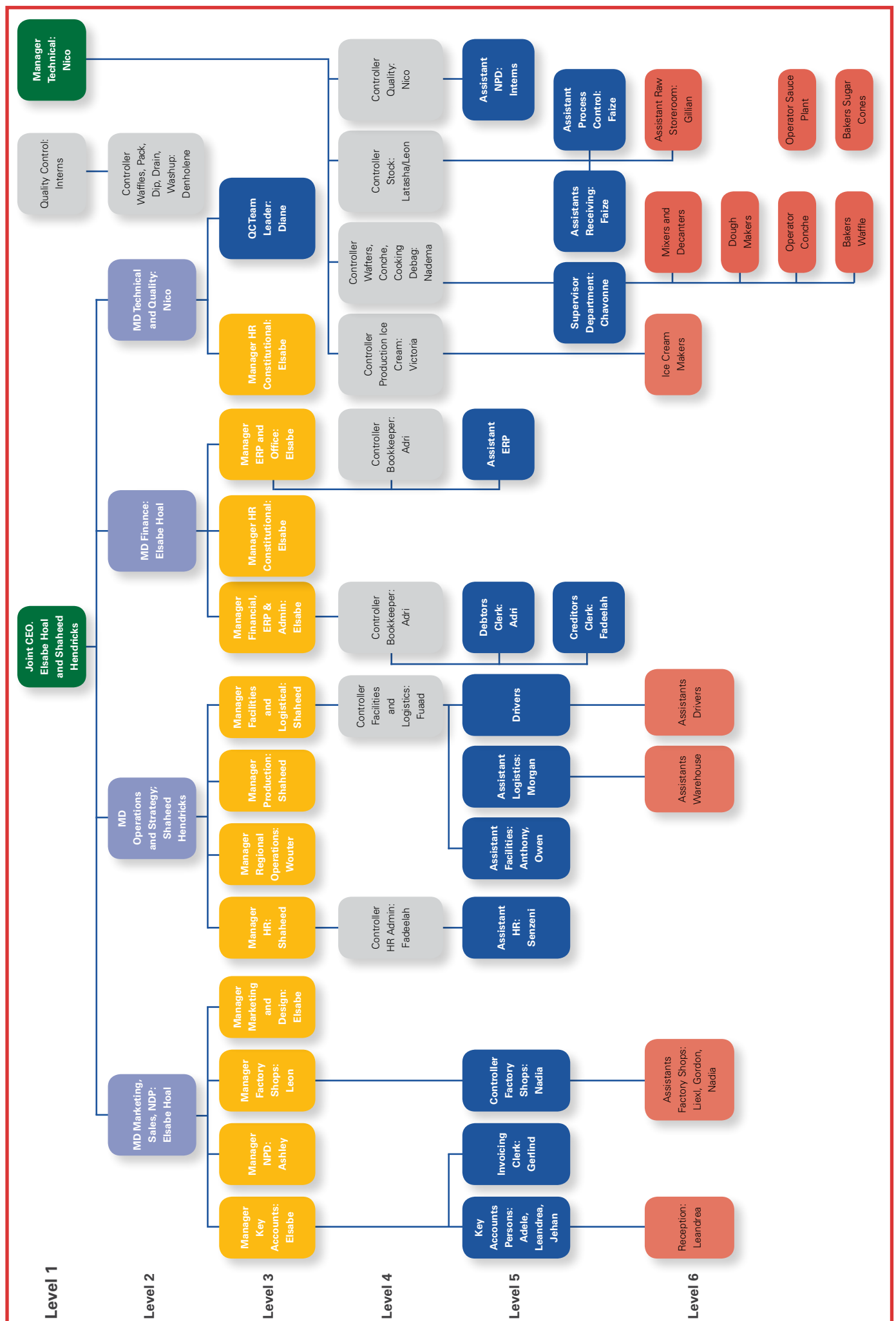


Figure 3: GWC's organogram for 2020

Reasons for Requiring the BT&R Intervention - Challenges

GWC was in distress due to a decline in the financial performance of the business, which can be summarised as follows:

The financial performance of the business decreased between 2019 and 2020 due to a decrease in sales. Sales decreased by 2.1% between 2018 and 2019 and by 4.6% between 2019 and 2020. Although the return on operating assets improved from -12.9% in 2018 to 18.1% in 2019, it decreased to -5.8% in 2020. The main driver of the decrease in profitability in 2020 was a decrease in the operating profit margin which decreased from 5.7% in 2019 to -1.8% in 2020. The sales revenue decreased by 2.1% between 2018 to 2019 and in the following period reduced by a further 4.6%. A decrease in sales indicates that there was no growth and the business either sold fewer units or had to decrease product prices. Labour costs as a percentage of sales increased from 19.4% to 22.9% between 2019 and 2020 and overhead costs increased from 28.3% to 28.5% over the same period. In addition, material costs increased from 49.7% in 2019 to 50.4% in 2020 which resulted in the gross profit margin decreasing from 50.3% to 49.6%.

BT&R Strategy

A brief description of the proposed interventions was as follows:

- Conducted a product and customer sales analysis to identify the most profitable products and customers.
- Assessed and improved current materials management practices to reduce raw material costs.
- Reviewed and improved the existing capacity planning and management practices to improve throughput, on-time delivery, and labour productivity.
- Improved the manufacturing performance measurement system to monitor, analyse and improve business processes.
- Developed facility layout requirement specifications to improve workflow and the utilisation of available spaces to reduce the cost per square metre.

BT&R Involvement/Interventions

Table 1: Brief overview of the BT&R involvement

Intervention Name	Business Issue(s)/ Implementation Challenge(s)	Intervention Action(s)	Outcome – Completed
1. A product and customer sales analysis	<p>Business issue</p> <ul style="list-style-type: none"> • High raw material cost (approximately 50% of cost structure). • Large product range (> 500 variants). <p>Implementation challenges</p> <ul style="list-style-type: none"> • Actions associated with improving gross profit % include testing of new cost-effective ingredients, amongst others, which are much reliant on one of the CEOs and the person responsible for new product development. The New Product Developer position was filled once since the implementation of the BT&R Programme and after the implementation of the programme the position saw two appointments in a space of 12 months. This placed a constraint on the actual implementation of the proposed actions and its resultant impact. • Reducing the product list in the current economic conditions – where sales orders are negatively affected by the COVID-19 pandemic – is challenging. The decision to remove products from the product list that are not in the top-selling products becomes difficult since GWC does not want to lose any clients – good or bad – if they order from them and the client can aid in generating sales income. 	<ul style="list-style-type: none"> • Analysed historical sales data for both products and customers. • Discussed results with the management team and proposed a way forward. 	<ul style="list-style-type: none"> • Identified the product range and individual products that contribute the most to sales income relative to the volumes produced. • Similarly, identified the top customers based on sales values and quantities ordered. • Provided insights and recommendations on possible sales and operational strategies.

Intervention Name	Business Issue(s)/ Implementation Challenge(s)	Intervention Action(s)	Outcome – Completed
2. A material/ inventory management analysis	<p>Business issue</p> <ul style="list-style-type: none"> High raw material cost (approximately 50% of cost structure). Inadequate material/inventory management practices. <p>Implementation challenges</p> <ul style="list-style-type: none"> The weekly operations meeting went well and the intended objectives for this intervention just started to gain traction and was in action for about a month and a half – on and off – when the process manager resigned. Thereafter the operations meeting faded. Manufacturing summary sheet (MSS) – The correct reasons for variances between the planned and the actual production quantities are not diligently recorded which delays the timeous update of the MSS and accuracy of finished goods on the IQ Retail system. 	<ul style="list-style-type: none"> Reviewed the current practices for purchasing, storing, and issuing raw materials; and Facilitated improvement initiatives through work sessions with key internal staff. 	<p>A material management analysis was completed that identified:</p> <ul style="list-style-type: none"> current practices, challenges, opportunities for improvement; and Implementation actions.
3. Capacity planning model	<p>Business issue</p> <ul style="list-style-type: none"> Low strike rate (planned production vs. actual production) which impacted GWC's ability to deliver customer orders on time and in full. <p>Implementation challenges</p> <ul style="list-style-type: none"> The availability of good quality and relevant information, such as machine downtime and waste. 	<ul style="list-style-type: none"> Reviewed the current capacity planning and management practices. Developed a capacity planning model. 	<p>A capacity planning model that can:</p> <ul style="list-style-type: none"> Forecast shift patterns based on demand; and Predict whether the capacity will be able to meet demand.
4. Business performance measurement system	<p>Business issue</p> <ul style="list-style-type: none"> The unavailability of good quality reliable business performance information. <p>Implementation challenges</p> <ul style="list-style-type: none"> High staff turnover in some of the positions that started or maintained the data-capturing systems negatively impacted the development and improvement of these systems. Insufficient human resources to maintain the data capturing systems, or existing resources do not prioritise enough time to maintain, analyse and improve processes to enhance business performance. Lack of discipline and diligence to maintain and sustain performance measurement systems. 	<ul style="list-style-type: none"> Reviewing the current key performance indicators; and Identified additional critical performance indicators. 	<ul style="list-style-type: none"> An assessment of current business performance measures. The improvement of existing performance measures. The development and implementation of additional key business performance measures. The establishment of an operations management meeting which created a platform for managers, from different functional areas, to come together to plan operations and review weekly performance.
5. Facility layout requirement specifications	<ul style="list-style-type: none"> High-cost item – rent (fourth highest) 	<ul style="list-style-type: none"> Documented basic functional requirements of key operational functions. Identified benefits and constraints of the existing facility layout that can be considered in the search for new premises. 	<p>A facility layout requirement specification planning document outlining the following was completed:</p> <ul style="list-style-type: none"> Existing operational requirements of the main operations, such as key functions, machines and equipment, floor size and utilisation. Recommendations on an improved facility layout.

Results

The following deliverables were implemented, and their results achieved were as follows:

Deliverable 1: A product and customer sales analysis

The key results and outcomes of this deliverable are summarised under the following 3 primary strategic questions.

- Where does GWC make most of their money with regards to their products or product groups/types?
 - Three of the nine key product categories generate 90% of the sales income and these categories are sugar cones (38%), chocolates (37%), and sweets and sauces (15%).
 - Twenty-nine (29) or 6% of the nearly 500 products generated 80% of the total sales value for GWC. (Complexity is added with too many products and variants, especially with stock/ inventory management).
 - Approximately 30% of the sales income was generated from three product variants, namely ICC Caramel Crunch 5kg*2, WW Plain Sugar Cone 265gr 12*6 and ICC Chocolate 5kg*2.
 - The gross profit percentage of both the sugar cones (65%) and chocolate (63%) groups are above the 60% target of GWC.
 - Twenty-one of the top 29 selling products have a GP percentage greater than 60% which is aligned with GWC's target.
- Which customers contribute the most to GWC sales income and profitability?
 - Eight customer groups contribute to 80% of the sales income.
 - The top three customer groups are Famous Brand Management (FBM) (22%), Woolworths (19%), and Hungry Lion (12%).
- What do GWC's top customers order and how does that compare to the 20% of products that generate 80% of the sales income and profitability?

- FBM is the top sales income contributing customer and three of the eight products they order contribute 93% of their total sales orders.
- All three of GWC's top sales income-generating products are sold to FBM and all three of those products have a GP percentage less than the 60% target. This highlights an opportunity for GWC to investigate strategies to improve the GP percentage of these products.
- Woolworths is the second highest contributor to sales income and two of the five products that they order contribute 72% of their sales order.
- All the products sold to Woolworths are in the top 29 products that generate 80% of the sales income and all five of the products have GP percentages within the target of 60% to 65% and some are even exceeding it. This makes Woolworths a very profitable customer to GWC.
- Hungry Lion (HL) is the third biggest contributor to GWC's sales income and five of the 14 products they order contribute 70% to their sales order value.
- Only one of the top five selling products of HL is within the target average GP percentage, at 83%. Choc Candy is one of the top-selling products (10th ranked) of GWC and the third most ordered product by FBM, but 13th most ordered by HL. If both HL and FBM distribute this product to the same customers, then there might be an opportunity to increase sales of this product to HL.

The true impact of this deliverable is constrained by the challenges outlined in Table 2. However, specific actions that are spearheaded by the CEOs have been identified as an initial response to the results and outcome of this deliverable, which are summarised below:

- Specific actions for the top 29 selling products that have a GP percentage (GP%) less than the 60% target, have been outlined in the deliverable report.
- Customer profiles for the convenient customer group – smaller businesses that have relatively smaller sales orders – were initiated to explore sales strategies to increase sales (upsell) to this group.
- Considering the establishment of a profit margin strategy that considers different manufacturing approaches.

Table 1: Top selling product variants with below target Gross Profit % and possible actions

GP % range	Freq.	Comment	Possible actions
54% – 60%	3	<ul style="list-style-type: none"> ICC Caramel Crunch (58%) which is the top sales income generating product ICC Chocolate (57%) is the 3rd highest sales income generating product Bakels Chock & Mint (56%) is the 16th highest sales income generating product 	<ul style="list-style-type: none"> The ICC's are manufactured in the Conche. It is proposed that the full cream milk powder be replaced with a substitute product that will generate an additional 2% on the gross profit margins. This is still in process and the test with the replacement product has not been initiated yet. This is purely a <i>pack agreement</i> with Bakels to get their chocolate, we use, across the board at cost price.
48% – 54%	1	<ul style="list-style-type: none"> Sauc Milky White Frosting (54%) 	<ul style="list-style-type: none"> No immediate actions identified. In general, the sauces have good GP % but since a 'middleman' is involved the GP % is reduced to approximately 53%. Distribution is done to a single warehouse which does assist in reducing the overall costs i.e., delivery costs to individual stores.

GP % range	Freq.	Comment	Possible actions
42% – 48%	2	<ul style="list-style-type: none"> • <i>Mini Bingos</i> (45%) • <i>Vermicelli Rainbow</i> (47%) 	<ul style="list-style-type: none"> • The <i>Mini Bingos</i> are being replaced, due to a 32% price increase with (imported) mini smarties which will create improved margins/GP % within the target range of between 60% and 65%. In addition, work is being done on coating some of the lines such as biscuit tots with chocolate, that will lead to an increase in sales as it will create opportunities for more products. • For <i>Rainbow Vermicelli</i> no immediate action is imminent as it forms part of a basket of products for the Spur and Hungry Lion group (Digistics) - it helps to increase the kilogram per order and to improve economies of scale to these clients.
7% – 13%	1	<ul style="list-style-type: none"> • <i>The Mini Choc Candy Coated product has a GP % of 10%</i> 	<ul style="list-style-type: none"> • This product is identical to the Mini Bingos; hence the same action applies here as for the Mini Bingos.
1% – 7%	1	<ul style="list-style-type: none"> • This product (Bar One Dessert Topping) is currently a buy-in on behalf of a key customer (Hungry Lion) and the effort on this product is minimal, hence the low GP % of 1% 	<ul style="list-style-type: none"> • No immediate action is imminent as this product is supplied as 'a favour' to Hungry Lion to assist with their export order by ordering it on their behalf and then supply it back to them on a 'all in one invoice'.

Deliverable 2: A material/inventory management analysis

Given the results obtained from the initial interventions, additional actions were proposed as outlined in Table 1, of the deliverable report to address some of the key material management challenges within GWC. The interventions are summarised below:

1. Allocate the IQ Retail data integrity (maintenance and assurance of the accuracy and consistency of data) functions to a dedicated person.
2. Clarify roles and tasks of key/critical staff.
3. Produce a 4-week production plan where the first week is fixed and cannot be changed to align production requirements with raw material requirements.
4. Institute scheduled days and timeslots for meetings and updates – reinstitute the cross-functional operations check-in meetings.
5. Capture production waste electronically and analyse it.
6. Perform regular stock takes.
7. Appoint a manager between the directors and supervisors/controllers.

Deliverable 3: Capacity model

The current capacity utilising an 8-hour shift for the four machines is 132 525 units per week. By introducing 12-hour shifts, the capacity increases to 200 925 units per week or by 51.6%. Introducing a 24-hour shift, five days a week the capacity increases to 391 500 per week, which represents an increase of 94.8% compared to 12-hour shifts. Operating a 24-hour shift, five days a week and 12-hour shifts over the weekend increases capacity to 456 750. This represents an increase of 16.6% compared to operating a 24-hour shift.

To evaluate the current utilisation of machines, the Overall Equipment Effectiveness (OEE) methodology was utilised. The results show that the average OEE for the peak season shifts, i.e., 24 hours a day for weekdays and 12 hours per day over weekends for all four machines was 62%. The reason for the relatively low OEE was because of a performance ratio of 74% and a quality ratio of 90%. The availability ratio was 93%. Concentrating on improving performance and quality ratios will assist GWC in improving the overall equipment effectiveness ratio. Calculations showed that a 5% increase in actual output will assist the business in reducing shifts from a 24-hour and weekend shift to a 24-hour shift.

The business must operate 24 hours per day from Monday to Friday and 12 hours on Saturday and Sunday to be able to meet demand, specifically in the peak (high demand) season. The ratio of demand to the available capacity is 0.94 which means that GWC was able to meet demand but will be unable to supply customers if demand increases. The objective is to improve capacity utilisation to save costs and have a bigger buffer to be able to meet an increase in demand in future.

Deliverable 4: Business Performance Measurement System

The implementation approach for the business performance measurement system was divided into two major groups, namely:

- i. The review of the current performance measures; and
- ii. The identification of additional performance measures and improvement of existing measures.

The review of the current performance measures resulted in the following:

- Performance measures that considered operations and production outputs (i.e., manufacturing summary sheet).
- Customer feedback through the tracking of customer complaints.
- Financial performance measures through annual financial statements and monthly management accounts.
- A combination of both unplanned financial and operational performance measures.

With the additional performance measures identified, the improvement of the existing measures resulted in the following:

- Improvements in the MSS through the implementation of regular production performance feedback sessions and the implementation of shift targets through the introduction of a bill of quantities per shift.
- Regular feedback on customer complaints to the entire team to create awareness of the importance of adhering to quality standards and reporting any deviations for remedial action.
- The need for the establishment of a cash flow monitoring system is currently a work in progress.
- The electronic capturing and awareness of production waste resulted in a 41% reduction in the reject rate.

Furthermore, the establishment of an operations management meeting created a platform for managers, from different functional areas, to come together to plan the operations and review its performance weekly.

Deliverable 5: Facility layout requirement specifications

The key results and outcomes of this deliverable are summarised in Table 2 which highlights that a saving in floor space of approximately 624m² is achievable through the proposed changes as outlined in the deliverable report of the deliverable report.

Table 2: Proposed functional category savings

Functional Category	Current		New		Savings	
	m ²	%	m ²	%	m ²	%
Production	1 182	37%	1 022	40%	(160)	26%
Storage	1 503	47%	1 095	43%	(408)	65%
Administration	190	6%	134	5%	(56)	9%
Retail	111.5	3%	112	4%	-	-
Canteen	117.0	3%	117	5%	-	-
Ablution	88.9	3%	89	3%	-	-
Total	3 192	100%	2 569	100%	(624)	100%

Note: Additional offices will be created via a mezzanine

Appendix A of the deliverable report contains basic functional requirements for the key operational areas of GWC which also serves as a basic planning document for the establishment of the primary operational areas within a new facility.

The potential financial implication of the total square metre floor space saving is illustrated in Table 3.

Table 3: Potential financial implication of the proposed changes

Description	Value
Rent monthly	R150 615
Rent annually	R1 807 380
Square meter rate monthly	R47.18
Savings (m ²)	624
Monthly savings	R29 425
Annual saving	R353 102

The details on exactly how the remaining 2 569m² will be utilised for the different functional areas will be further explored by the CEO and logistics and maintenance manager to establish a cost estimate for the proposed changes.

Project Innovation

A capacity model was developed, and management indicated that the model would help determine what type of shift is required to meet demand. Different demand scenarios can be plugged into the model and with their knowledge of the industry, they will be able to plan the type of shift needed and plan personnel requirements accordingly.

The capacity model will enable GWC to manage capacity effectively and allow management the opportunity to improve the OEE performance ratios. Improving the OEE ratio will increase capacity, reduce costs and ultimately have a positive impact on cash flow and profitability. It will also assist management to be able to determine the capacity that is required given the seasonal nature of demand.

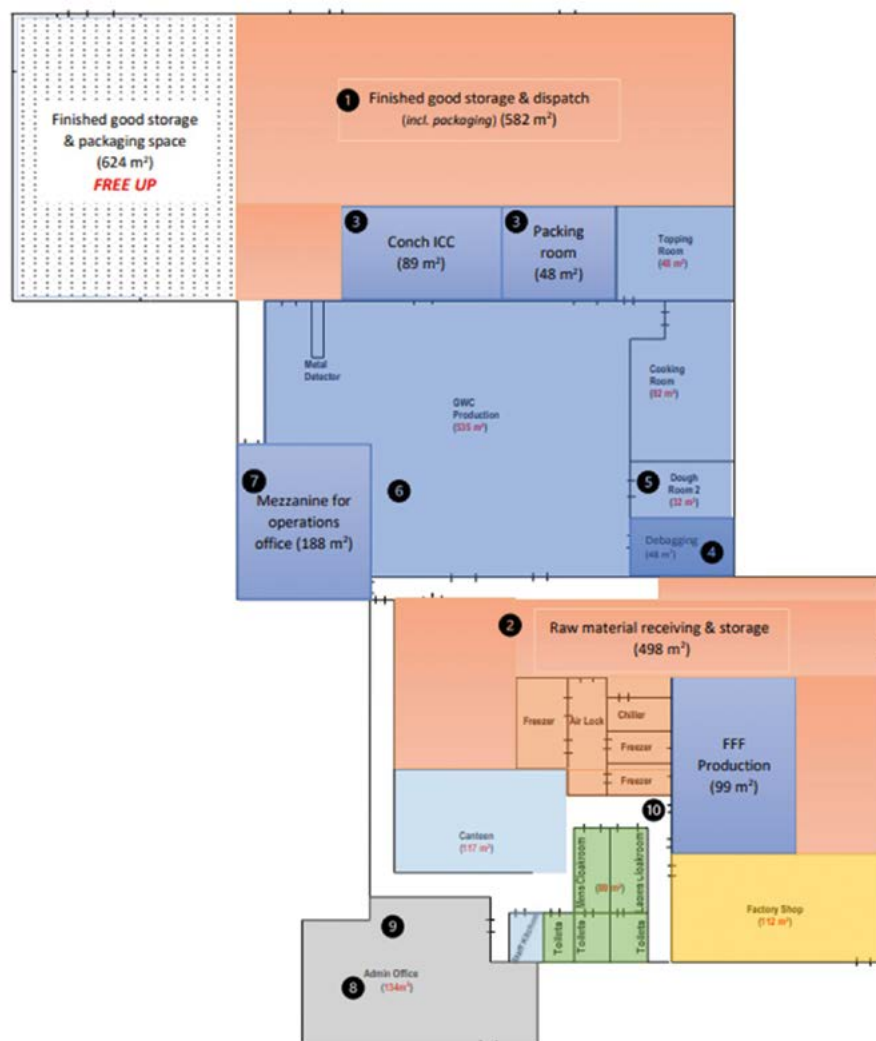
To utilise the OEE ratios to assist the business in improving capacity utilisation, accurate and up-to-date information is required. New procedures have already been implemented to improve the quality of information and ensure that information is available on time.

Conclusions

All five of the deliverables outlined in the work plan were successfully completed and implemented within the prescribed period.

It is recommended that GWC consider applying for Productivity SA's Workplace Organisation Transformation Programme which focuses on assisting businesses to make a successful transition to a culture of continuous improvement.

Appendix A:



Region 2

Entrawood CC



Company Details

Company Name:	Entrawood CC
Region:	Region 2
Province:	Free State
District:	Thabo Mofutsanyana
City of Operation:	Maluti-a-Phofung
Project Manager:	Steven Otto
Service Provider/s:	n/a
Case Study Written by:	Steven Otto



Introduction

Company Background

Entrawood is a furniture manufacturer established in 1989 by Herman Grobler and Gert van Tonder, in the Free State town of Harrismith. Over the years the company has improved its design and manufacturing capabilities to produce a wide range of melamine desking, storage, and table solutions.

Entrawood has its melamine pressing plant and supplies wood panel components to its sister company, Entrakor, which produces a vast array of innovative office furniture solutions.

The company's 12 000m² factory is in the Maluti-a-Phofung special economic zone near Harrismith, with its sales office and showroom located in Kramerville, Johannesburg.

Vision: Be a world-class office furniture manufacturer, consistently delivering premium quality at market-related prices.

Strategic Drivers: Innovation and Service Excellence.

Growth Objectives: Increase Market Share from 7% to 10% by February 2023.

Company Products and Services

Entrawood designs innovative furniture for modern workspaces, catering to local and international trends.

Entrawood targets architects, designers, shopfitters, and retailers through a network of dealers in South Africa and parts of Sub-Saharan Africa, managed by the Johannesburg-based account managers.

Key national retail partnerships include Cecile Nurse, Makro, and Waltons.

Combined with Entrakor, Entrawood holds an estimated 7.5% share of the R1.735 billion South African office furniture market.



Figure 1: Example of the types of office furniture Entrawood produces.

Company Structure

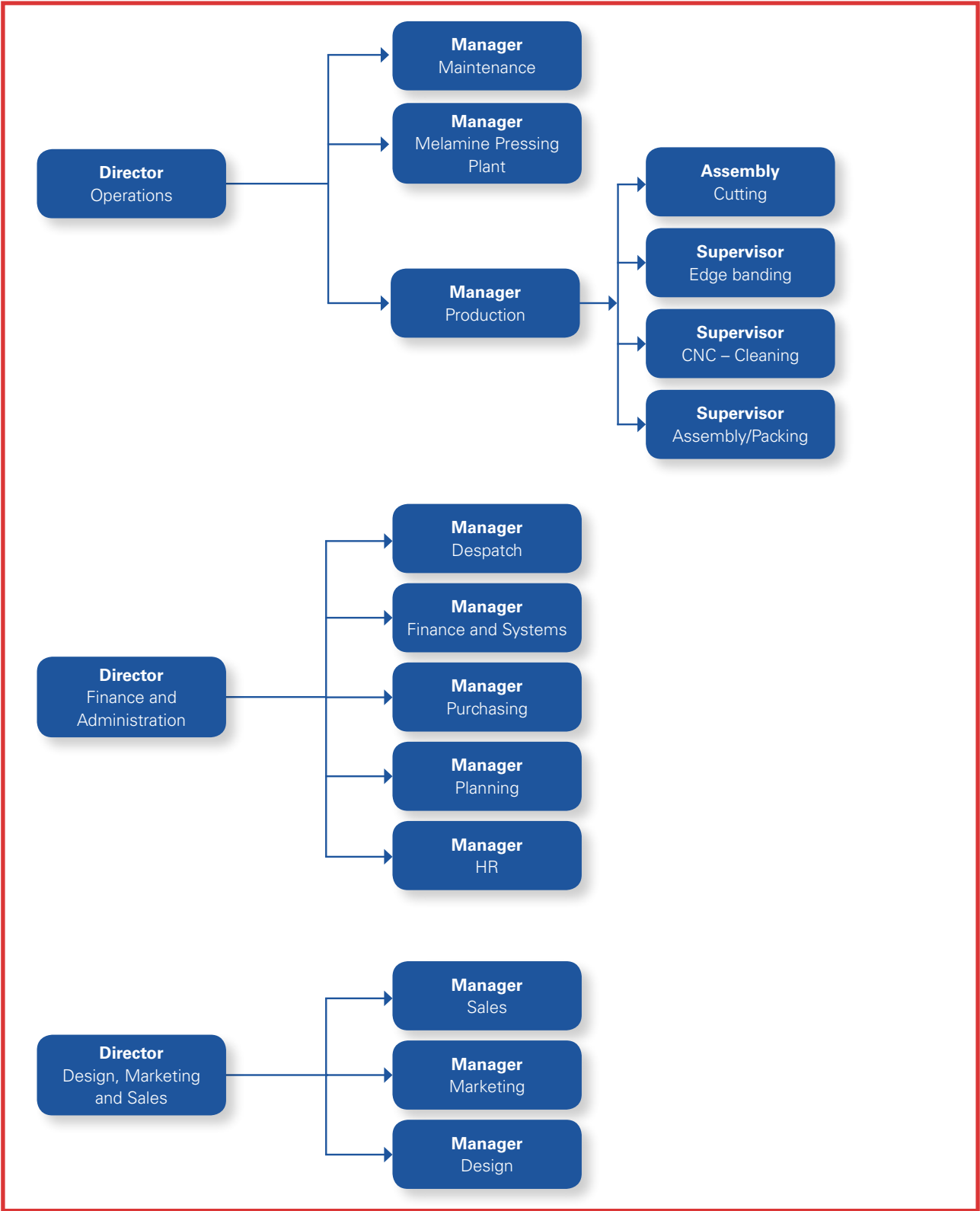


Figure 2: Organisational Structure

Staff Complement

Entrawood has 122 employees, who are predominantly black, and 23% of whom are female. All the employees are from the surrounding Maluti-a-Phofung area. The company’s employees increased from 111 employees in 2022.

Reasons for Requiring the BT&R Intervention – Challenges

Despite a 33% sales increase over the past five years, profitability declined. This disconnect highlighted inefficiencies within production processes that needed to be addressed for sustainable financial health.

Diagnosing the Problem

A thorough assessment revealed several gaps that hindered production performance and overall profitability. These included:

- **Inconsistent Planning and Misaligned Priorities:** Daily production plans were issued late and often adjusted throughout the day. The focus on material optimisation sometimes conflicted with meeting sales targets, leading to delays.
- **Limited Sales Forecasting and Communication:** The system lacked sales forecasting and lead management capabilities. This created blind spots for critical deadlines, requiring last-minute adjustments that disrupted production flow. Weak communication across departments further exacerbated these issues.
- **Ineffective Information Sharing and Performance Tracking:** Production areas did not effectively utilise visual management boards. The ARDIS system's daily production updates limited opportunities for real-time improvement. Similarly, performance data on completed production plans arrived too late for corrective action.
- **Suboptimal Work-in-Process Management:** The factory employed a colour-coded system that restricted processing based on the designated day's work, even if capacity allowed for further progress.
- **Underutilised Rework Data:** While rework and recut data were recorded, they were not leveraged for problem-solving and reducing rework instances.
- **Inefficient Maintenance System:** The maintenance team lacked a coordinated system for addressing issues across the vast factory floor. Additionally, production areas didn't record downtime caused by maintenance, hindering overall efficiency analysis.

BT&R Strategy

To bridge these gaps and propel Entrawood towards profitability, a three-pronged approach was implemented:

- **Developing Production Performance Metrics:** Metrics were implemented at various production stages to provide a clear picture of bottlenecks and areas needing improvement. This data became crucial for tracking progress and measuring the effectiveness of interventions.
- **Value Stream Mapping and Waste Reduction:** A value stream map was created to visually represent the entire production process, highlighting non-value-adding activities (waste). This allowed for targeted interventions to streamline production flow and minimise waste.
- **Enhanced Equipment Maintenance System:** A coordinated maintenance system was implemented to ensure timely identification and resolution of equipment issues. This minimised downtime, improved production consistency, and potentially extended equipment life.

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1 Visual Management System with Production Performance Metrics	The factory has a five-day production lead time. The production process is broken down into five discrete steps, with each process allocated a production day. The production team does not monitor or communicate daily performance to the management team. The production plan performance was only shared at the end of the five-day production cycle.	The development of a Visual Management System with the relevant production performance metrics for each of the production areas.	<ul style="list-style-type: none">• Development of a Visual Management System to track daily production performance.• Training the production supervisors and manager on the effective use of the system.• Creating a tracking system that can be incorporated into the company Enterprise Resource Planning system.

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 2 Value Stream Map	The different stages of production are staggered over the course of the 5-day lead time. The production areas stop output as soon as the plan for a particular day has been completed. This can happen as early as 15h00 on a regular production day, so 90 minutes of production capacity is not utilised. There are also instances where increases in demand or production delays cause certain areas to work overtime to meet delivery dates.	Conduct a Value Stream Mapping exercise on the Entrawood production floor.	<ul style="list-style-type: none"> • Conduct a Sales Productivity Audit. • Create a current state Value Stream Map. • Analyse the value-adding and non-value-adding activities. • Develop a waste reduction action plan.
Intervention 3 Improved equipment maintenance system	The factory did not have a maintenance system to track the machine downtime in the factory. Equipment downtime and faults were not recorded, and the impact of stoppage on the factory's performance was unknown.	Develop an improved maintenance system to track machine downtime and incidents.	<ul style="list-style-type: none"> • Computerised Equipment Maintenance System. • Equipment Assessment Process. • Scheduled Maintenance Process.

Results

The programme focused on three key interventions designed to enhance production efficiency, communication, and overall quality:

- Visual Management System with Production Performance Metrics.
- Value Stream Map.
- Improved Equipment Maintenance System.

Results:

1. Visual Management System with Production Performance Metrics:
 - Potential impact: Improved visibility likely contributed to a 10% reduction in reworked parts (and a 9% reduction in reworked part square meters) observed between 2022 and 2023.
2. Value Stream Map:
 - Results: While not directly quantified, the value stream map likely identified and addressed bottlenecks or inefficiencies within the production flow. This potentially contributed to the overall improvements observed in the programme.
3. Improved Equipment Maintenance System:
 - Results: No direct quantitative data on equipment-related disruptions is provided. However, the improved maintenance system likely contributed to the observed 10% reduction in reworked parts and 9% reduction in reworked part square meters between 2022 and 2023.

Overall Results

The implemented interventions yielded positive results. The Visual Management System with Production Performance Metrics likely contributed to improved communication and proactive issue identification, potentially leading to a reduction in internal reworks. The Value Stream Map analysis likely identified and addressed production flow inefficiencies, while the Improved Equipment Maintenance System may have helped reduce equipment-related disruptions and improve overall production quality.

Note Regarding Non-Conformances to Clients

The data shows an increase in non-conformances to clients between 2022 and 2023. While concerning, it might indicate improved issue identification due to the new system. Continued focus on corrective actions and preventative measures should lead to a decrease in non-conformances over time.

Conclusion

Entrawood's strategic productivity improvement programme demonstrates a commitment to operational excellence. The implemented interventions focused on communication, quality control, and production flow optimisation, yielding positive results in internal rework reduction.

The company's proactive approach to client non-conformances suggests a dedication to continuous improvement. The full impact of the programme will be clearer in the next six months as changes are further implemented.

Highlights of the Project

Entrawood implemented a strategic productivity improvement programme between April 2022 and March 2023 with positive results. Here are the key highlights:

Visual Management System

- Improved communication and proactive issue identification.
- Production supervisors became more engaged in maintaining the system and reporting delays.
- Likely contributed to a 10% reduction in reworked parts.

Value Stream Map

- Identified areas to reduce production lead time and work in progress.
- Highlighted underutilised production capacity at the end of the day.
- Potential for staggered implementation to address finished good storage limitations.

Improved Equipment Maintenance System

- Development of a basic maintenance tracking system within the Customer Relationship Management (CRM).
- Initial efforts to create Planned Maintenance Activities based on recommendations.
- Potential to reduce equipment-related disruptions and improve quality (data not yet available).

Additional Highlights

The company saw a 10% increase in employment figures, growing from 111 employees in April 2022 to 122 employees in March 2023.

Overall:

- The program shows promise in enhancing production efficiency and quality.
- Continued implementation and monitoring are crucial to solidify the initial gains.
- Addressing finished good storage limitations is necessary to fully capitalise on lead time reduction.

Additional Notes

An increase in client non-conformances was observed. While concerning, it might be due to improved issue identification.

Results Project Innovation

While the focus of the provided information is on the results of the project, we can't definitively say that entirely new innovations were created. However, we can identify **adaptations and implementations** that can be considered innovative for Entrawood:

- **Visual Management System:** This system itself is not an innovation, but its implementation and enthusiastic adoption by supervisors suggest it was a new approach for Entrawood.
- **CRM-based maintenance tracking system:** While maintenance tracking systems exist, adapting the existing CRM system for this purpose demonstrates a creative solution for Entrawood's needs.

Overall, the project focused on implementing best practices and optimising existing systems, leading to significant improvements in communication, process flow, and potential quality control.

Conclusion

Overall, the Entrawood improvement programme serves as a successful blueprint for continuous improvement. By focusing on communication, data analysis, and a willingness to adapt existing systems, the company has positioned itself for long-term operational excellence. The programme's success can be attributed to several key factors:

- **Employee Engagement:** The enthusiastic adoption of the Visual Management System by supervisors demonstrates a high level of employee buy-in. This active participation is crucial for the programme's long-term success.
- **Data-Driven Approach:** Utilising data from the Visual Management System and Value Stream Map analysis allowed for targeted interventions and continuous optimisation.
- **Adaptability:** The company's willingness to adapt existing systems, like the CRM for maintenance tracking, demonstrates a commitment to finding innovative solutions for improved efficiency.

By continuing to foster employee engagement, leverage data insights, and embrace a culture of continuous improvement, Entrawood can build upon the positive results achieved in this programme and ensure its long-term success in today's competitive manufacturing landscape.

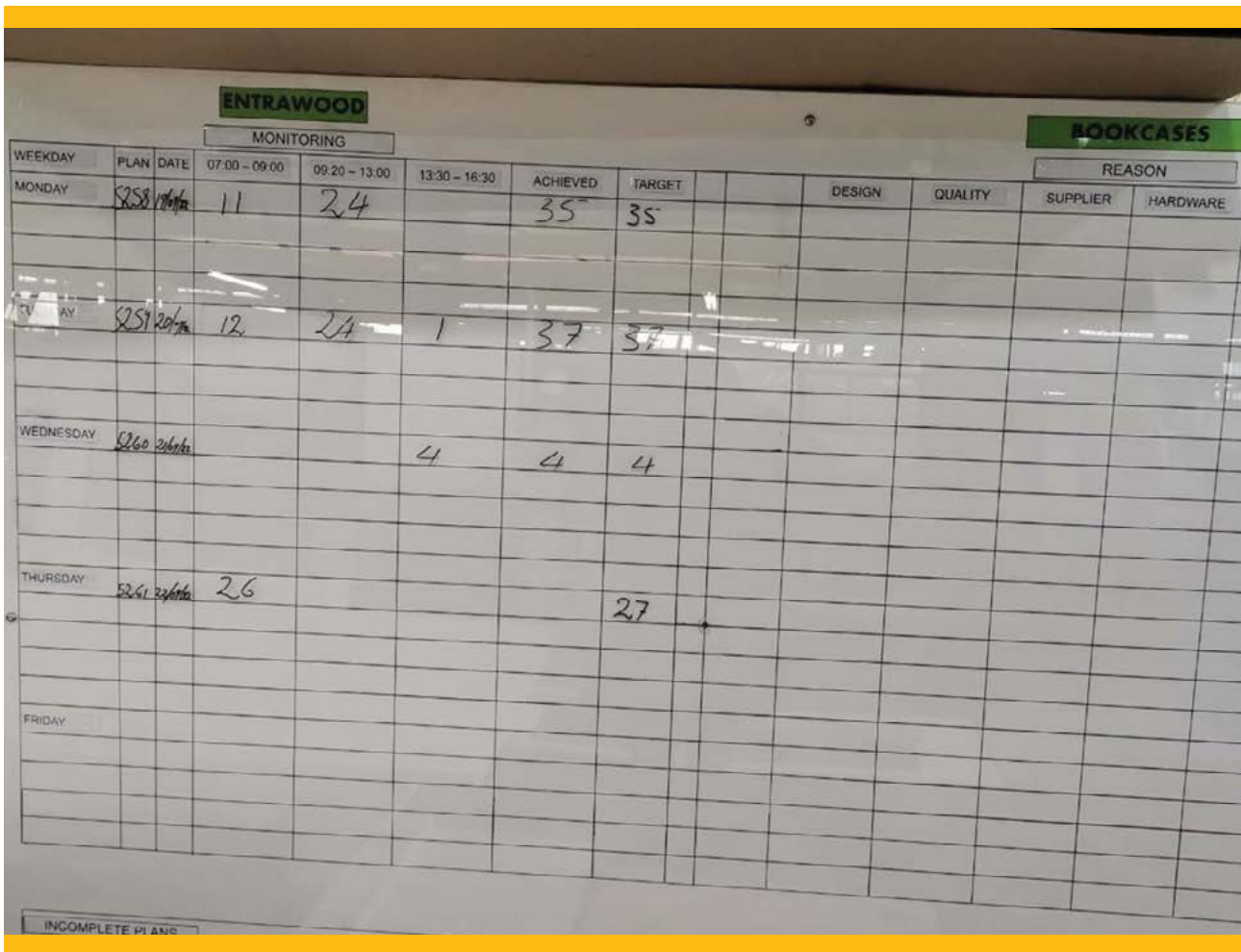


Figure 3: Entrawood Visual Management Board in the Assembly Department.

MACHINE STATUS: OPERATIONAL	MACHINE STATUS: LIMITED FUNCTIONALITY	MACHINE STATUS: NOT OPERATIONAL	MACHINE STATUS: BEYOND REPAIR
DATE CHECKED:	DATE CHECKED:	DATE CHECKED:	DATE CHECKED:
CHECKED BY:	CHECKED BY:	CHECKED BY:	CHECKED BY:
COMMENTS	COMMENTS	COMMENTS	COMMENTS

Figure 4: Machine Status Cards for the Maintenance System.

Region 3

Times Ten Trading (Pty) Ltd



Company Details

Company Name:	Times Ten Trading
Region:	3
Province:	Mpumalanga
District:	Ehlanzeni District Municipality
City of Operation:	Mbombela
Project Manager:	Julita Rakale
Service Provider/s:	Qualitech Business Consulting, Barbican Capital Consultancy
Case Study Written by:	Julita Rakale



Introduction

Company Background

Times Ten Trading is a 100% black-owned South African SMEs, which was established and registered with the Companies and Intellectual Property Commission by its founding director and incorporator, Mrs Rally Nkatheko Zuma, in 2009. The business is involved in the manufacture of personal protective clothing (PPC) such as conti-suits, overalls and aprons amongst others for various industry sectors.

Times Ten Trading employed 35 employees at the programme inception, and it is hoped that as it grows it will continue to employ additional people. The company's markets currently comprise public sector entities such as municipalities and government departments as well as a few private companies.

Company Products and Services

The business specialises in manufacturing and supplying government departments, municipalities and private sector industries with the following products:

- Industrial protective clothing;
- Linen for hospital and hospitality industries;
- Hospital patient clothing;
- Medical protective wear;
- School uniforms;
- Workwear; and
- Food industry personal protective clothing including head protection gear.



BUNNY JACKET



HI VIZ TROUSERS



FLAME RETARDANT ACID RESISTANT



D59



ACID RESISTANT



HI VIZ SHIRT (Long sleeve)



HI VIZ SHIRT (Long sleeve)

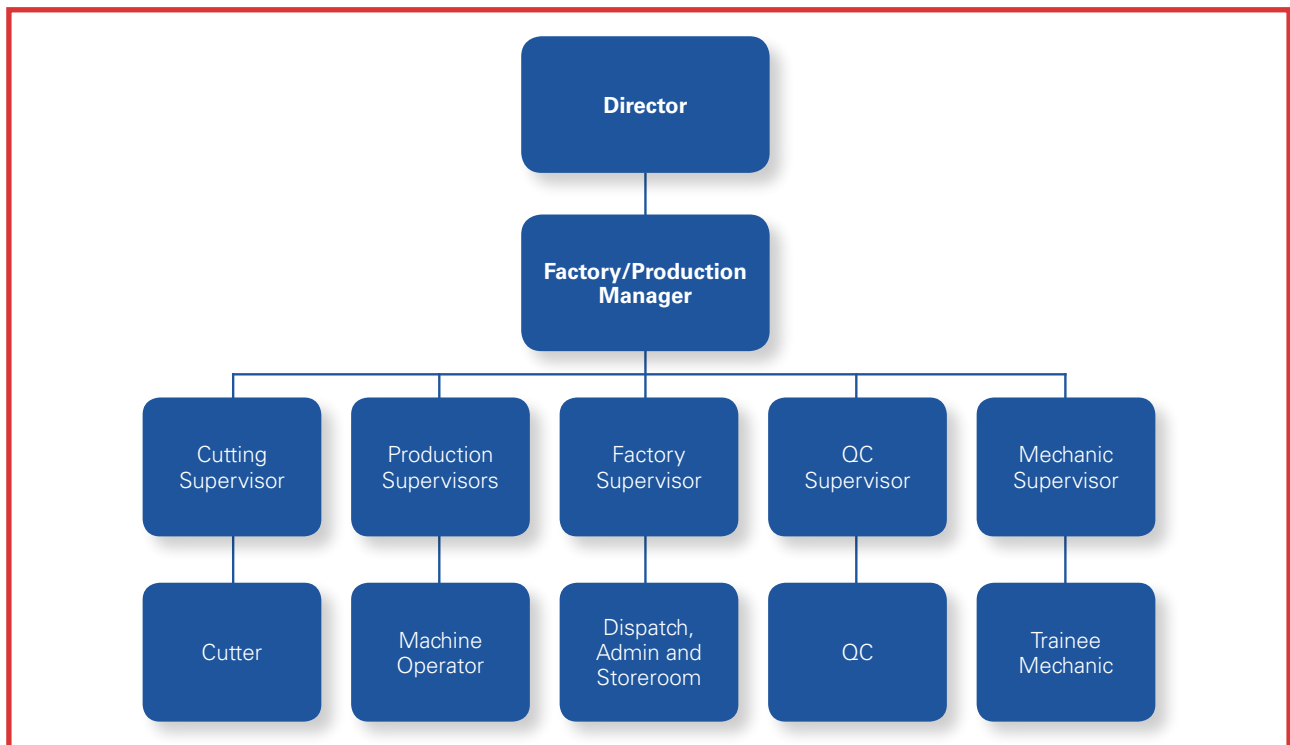


HI VIZ SHIRT (Short sleeve)



HI VIZ SHIRT (Short sleeve)

Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

The business manufactures personal protective clothing. 100% of the firm's income is derived from sales of workwear and other PPC to different government departments and corporate customers.

For the year ended February 2022 the businesses turnover decrease by 40%. The business managed to control costs in the 2022 financial year that led to a higher net profit despite registering lower sales.

BT&R Strategy

An in-depth assessment was conducted. This process included interviews with company managers and other key stakeholders. A Future Forum was established at the beginning of the process. The Future Forum is a collaborative structure that represents employees and management to ensure active participation within the business across all levels and transparency of the programme.

BT&R Involvement/Interventions

The table below indicates interventions that were identified as well as business challenges and outcomes achieved.

	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1 Develop a marketing strategy	Reduced sales and limited marketing.	Develop a sales and marketing strategy.	A comprehensive, documented business sales and marketing strategy.
Intervention 2 Implement an electronic financial management system	Poor control of business costs.	Implement an electronic system and conduct the necessary use training.	System installed, training and coaching completed. Internal financial reports completed.
Intervention 3 Evaluation of organisational structure and skills set	Labour utilisation not optimised. Poor human resource (HR) function within the business.	Performed a human resources capital audit to assist the business to identify ways of optimising labour so it performs optimally and efficiently.	A comprehensive human resources capital audit report.
Interventions 4 Review of factory layout and implement one functional Mini Business Units (MBU)	Limited floor space that disturbs steady flow of production. Performance not measured effectively and poor team engagement.	Review floor plan to reduce inefficiencies. Introduce visual management and coach the team.	Optimised floor layout. A functional management meeting/ MBU.

Results

- In-depth discussions were held with the business management and other key stakeholders to evaluate the business sales and market conditions and to map out required activities. The developed strategy contains a detailed action plan that the business must implement to fully realise the benefits of the strategy.
- The deliverable included installation of SAGE One accounting system and training on the system. The modules included as part of the package are, Accounts Receivable, Accounts Payable, Fixed Assets, General Ledger, Bank Module, and Project Manager module.

Training was also done on the use of SAGE One payroll, although the business will only start utilising the system after their current payroll contract with a different service provider expires.

The business can generate reports readily and monitor costs easily which is an improvement from before the installation and training were conducted.

Highlights of the Project

- Employment growth – 48% increase in employment growth. Additional jobs were created after the implementation of the project.
- The business can generate management reports readily from the system.

Project Innovation

The business has managed to introduce new products, medical PPC and uniforms as a means of product diversification.

Conclusions

The Times Ten team was highly committed to the business turnaround processes that were being implemented. This high level of commitment towards these processes assisted in ensuring smooth and effective implementation of the turnaround interventions. The business is using the tools and learnings from the programme.

Region 3

Proglove (Pty) Ltd



Company Details

Company Name:	Proglove (Pty) Ltd
Region:	3
Province:	Eastern Cape
District:	Buffalo City
City of Operation:	Qonce
Project Manager:	Wellington Sithole
Service Provider/s:	H2P projects
Case Study Written by:	Wellington Sithole



Introduction

Company Background

Proglove was established in 1984 and is situated in King Williams Town, Eastern Cape. In 2012 the company was taken over by Xolile Mabona and Tsepo Daniels meaning that Proglove is 100% black-owned.

Company Products and Services

Proglove (Pty) Ltd manufacturer of industrial safety wear such as gloves, mittens, jackets, trousers, aprons, coats, spats, leg guards and sleeves.

We also provide product development services, according to customer needs and specifications e.g. designing patterns of products, making up of samples and adjusting samples.

We are committed to establishing, maintaining, and continually improving Quality Management System that conforms to the ISO 9001:2015 requirements.

The following are some of the products:



Welders' Gloves



Red Heat Resistant Gloves



Bakers Pad



General Purpose Gloves



Arm Sleeves



Brick Handling Gloves

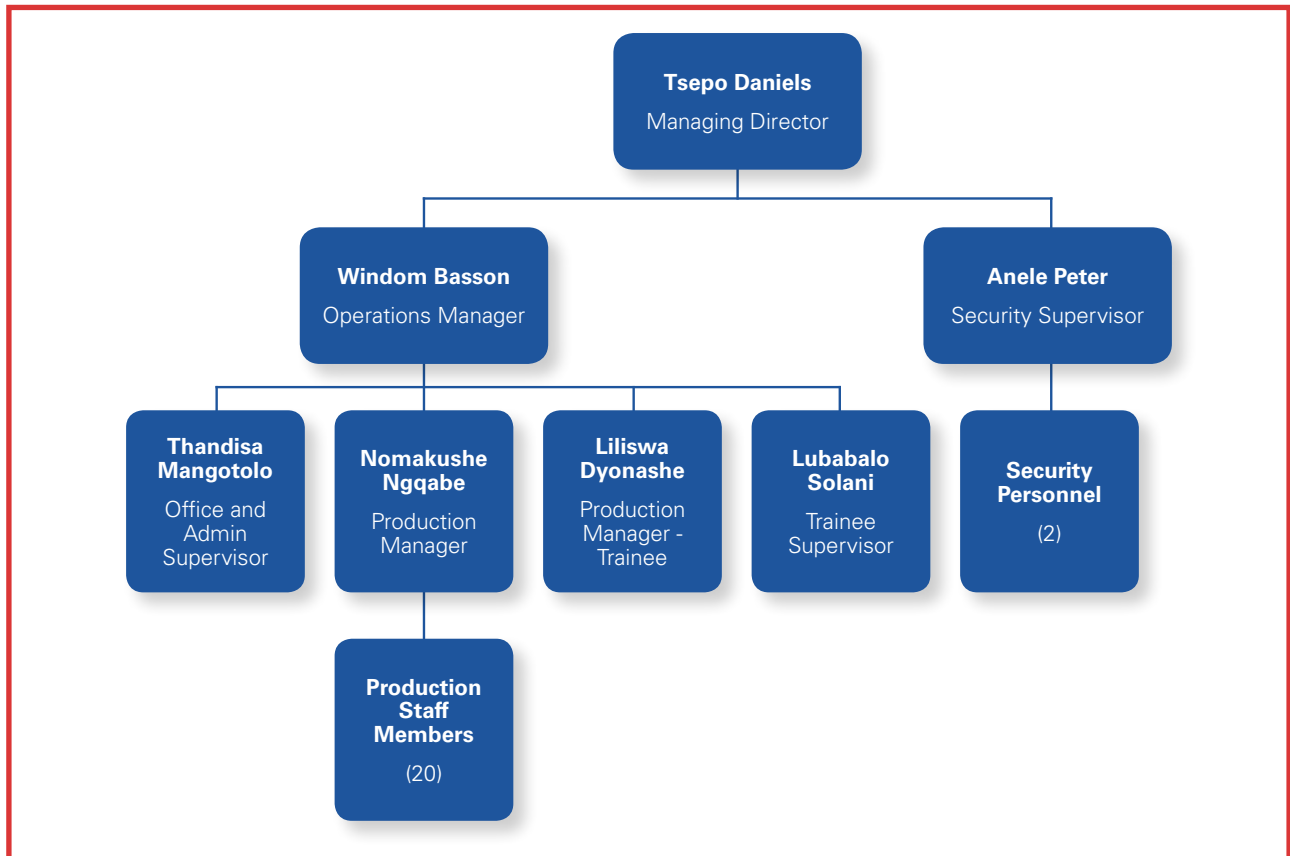


Apron Palm Gloves



Trousers with braces

Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

During 2020 and 2021 the company barely survived the consequences of the COVID-19 lockdown and took a terrible knock as far as cash flow is concerned as some customers had to close doors. The import of cheaper leather personal protective equipment products added to Proglove's misery.

Competition in the clothing, leather and textiles market is fierce and operating in the sector is a challenge, especially with very strong and established competition. Gross Profit margins and mark-ups were low and clients had a significant influence on pricing under the current business model.

Proglove does not have adequate HR management policies and struggles with productivity and profitability. Manufacturing is severely impacted by both loadshedding and a short supply of leather. While production time is down, labour allocation and costs do not decrease. In other words, Production per Wage Spent is drastically reduced, and the impact on profitability is obvious.

BT&R Strategy

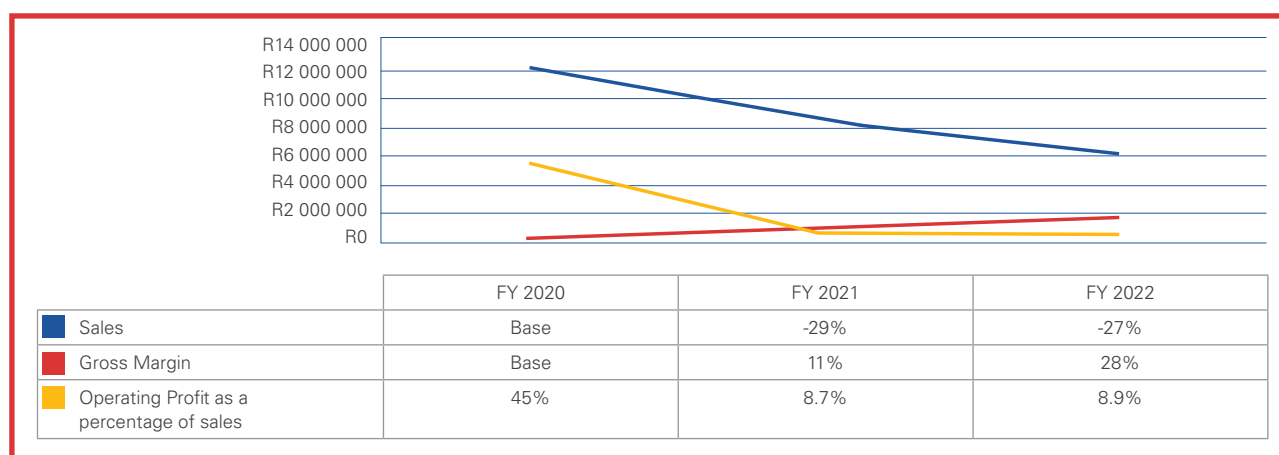


Figure 1: Total Sales – Past Three Financial years

As can be seen from Figure 1, the sales decreased by 48.36% from 2020 to 2022. This reduction in sales can be attributed to the COVID-19 pandemic which started during March 2020 and lasted for approximately two years. Several customers closed the business, which had a direct effect on the demand for Proglove products. Product imports also contributed to the decrease in sales.

BT&R Involvement/Interventions

	Issue/Challenge	Intervention	Outcome - Completed
Intervention 1 Sales and Marketing Strategy	Lack of a marketing orientation and no marketing plan	Development of a sales and marketing strategy	Formal sales and marketing strategy document was developed
Intervention 2 Access to Finance	<ul style="list-style-type: none"> Due to cash flow constraints, the organisation requires a suitable investor to inject cash into the company During the implementation of the access to finance deliverable there were challenges around getting requested information on time 	Developing and compiling business case/business plan	Formal business plan document was developed
Intervention 3 Human Resources	<ul style="list-style-type: none"> There was no job grading There was a lack of policies and procedures Organogram and structure were not aligned 	<ul style="list-style-type: none"> Developing HR policies Developing job descriptions Job grading Reviewing the organogram 	<ul style="list-style-type: none"> Improved staff commitment Improved staff morale and discipline Skills development Organisational design and structure
Interventions 4 Operational Efficiency	Unorganised workplace with no proper housekeeping	5s (Sort, Set in Order, Shine, Standardise, and Sustain) and Visual Management	<ul style="list-style-type: none"> Organised workplace Visual management Better workflow

Results

The following interventions were achieved.

Intervention 1: Sales and Marketing Strategy

A comprehensive marketing strategy was created to reflect the future direction for Proglove. Using this strategy, the following was added to guide Proglove, namely a template marketing strategy document Proglove can use on an annual basis to review and drive their strategy.

The following marketing objectives have been identified and adopted by Proglove:

- Increase market share for Proglove by 1% by the end of 2023 and improve to 2% in three years. The latex/nitrile business wants to grab a portion of the 8% shortfall between supply and demand as indicated in **the dtic** report on Personal Protective Equipment in South Africa.
- Establish Proglove as a leading leather safety wear company in the Eastern Cape and enable Proglove to compete with the market leaders on an even footing.
- Find five new customers per financial year for Proglove that will generate an extra 5–10% of turnover and establish the latex/nitrile business through finding a minimum of five large customers/agents/distributors.
- Introduce one new product range per year into the market.
- Introduce Proglove to one new market segment per year.

Intervention 2: Access to Finance

A business case for the establishment of a nitrile glove manufacturing plant was compiled. The calculated pro forma figures for the nitrile glove manufacturing plant will guide Proglove to make a strategic decision whether to establish such a plant or not.

The business case shows the following impact:

- It will be the first nitrile glove manufacturing plant in South Africa.
- Jobs for 28 people will be created.
- A positive cash balance from year one which will have a positive effect on cash balance of Proglove as a whole.

Intervention 3: Human Resources

After: Relevant policies and documents were developed as part of the HR intervention.

Intervention 4: Operational Efficiency

The implementation of green area with visual management boards played a significant role on monitoring daily/weekly/monthly output which improve the morale of shopfloor workers and created a continuous improvement culture.

Through operational efficiency the following was achieved:

- The workplace was more pleasant and organised to work in;
- Shop floor employees' job was more satisfying;
- It helped remove many obstacles and frustrations among the shopfloor employees; and
- Improved communication within the shopfloor.



Figure 2: Organised Workplace



Figure 3: Visual Management Boards

Highlights

Through implementation of 5s (Sort, Set in Order, Shine, Standardise, and Sustain), more space was created by eliminating unused materials, tools, and equipment, and getting rid of clutter.

Shop floor employees are grateful about 5s training they had received, and they are making sure that the standard is sustained, and communication has improved as they must work as a team to ensure good housekeeping is sustained.

New production line was opened using the space created during 5s exercise. An additional 10 jobs were created to operate new line as the sales are picking up.



Project Innovation

Through the business case that was developed it was identified that Proglove can introduce the manufacturing of leather hand- and travel bags. These products can be manufactured with the current equipment and product knowledge. These products, however, take longer to manufacture and fall within the luxury market segment.

Through business case research there was also a market identified in the manufacturing of latex and/or nitrile gloves. The Managing Director of Proglove is still busy with the process of application for funding using the business plan that was developed.

Conclusion

All the interventions were successfully implemented which helped to turn around the business and an additional 10 jobs were created through the implementation of the BT&R Programme.

The company should sustain the interventions that were implemented such as yearly reviews and updates of the marketing strategy document.

Proglove should use the business plan that was developed to access funding for the new nitrile glove manufacturing plant which is expected to generate a steady stream of revenue and profits in the coming years. The plant will also provide employment opportunities for local people and contribute to the economic development of the region.

Region 3

GoodFood Enterprise



Company Details

Company Name:	GoodFood Enterprise
Region:	Region 1
Province:	KwaZulu-Natal
City of Operation:	Durban
Project Manager:	Leigh Chetty
Service Provider/s:	Sigma International
Client Project Number (Region):	Region 3039
Size of the Company/ Organisation/Group:	Small
Operational Sector:	Food Industry
Source of Referral Leads:	Sigma International
Date of Acceptance Letter:	5 July 2021
Date Project Closed (Last signatory date in the Closeout Report)	8 February 2023
Case Study Written by:	Leigh Chetty



Introduction

Company Background

GoodFood Enterprise operates in the wholesale and food production industry and specialises in the sale of seafood. For the past 37 years, the company has been supplying seafood, poultry, dairy, and a diverse range of dry goods to restaurants, catering companies, hotels, and retailers around South Africa. The company is based in Durban and supplies local and international products to various customers in South Africa. The business currently employs 42 employees.

Vision

GoodFood Enterprise, (previously SEAFOOD ENTERPRISE, est.1984), aims to leverage its rich history in Seafood wholesale to entrench itself as the trusted partner in the food service, retail, and trading segments of the South African food sector and to establish its brand in both the upper and lower socio-economic markets.

Company Mission Statement

GoodFood Enterprise, underpinned by a reputation for a wide range of quality products, experienced personnel, and service excellence, will further empower and develop its people, align itself strategically with key local and offshore partners and invest in systems and infrastructure to enable it to realise its vision.

Company Products and Services

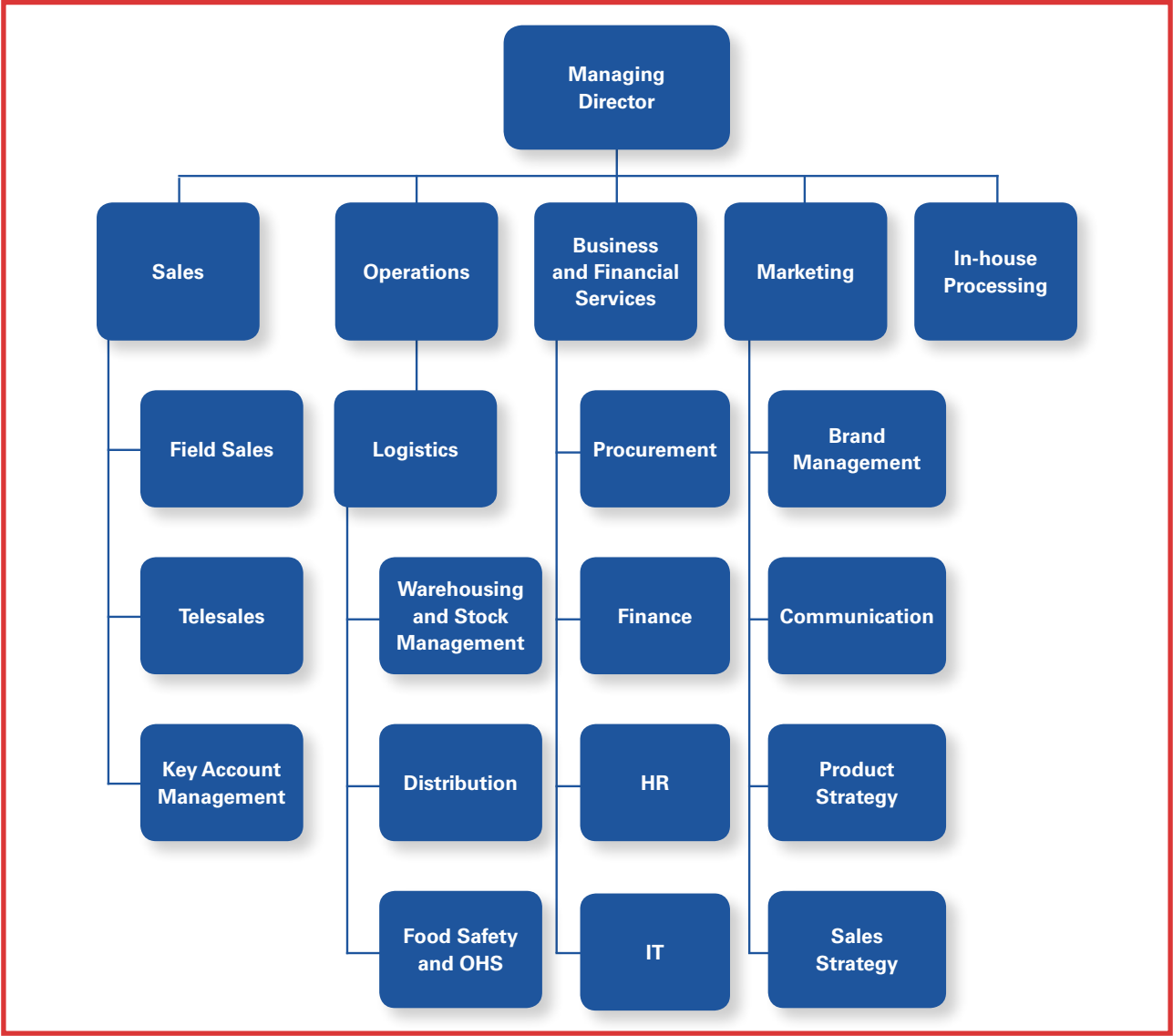
GoodFood Enterprise operates in the wholesale and food production industry and specialises in the sale of seafood.

Our seafood product range includes the following primary lines:

- Ranges of Vannamei and Argentinian prawn;
- Prawn and Crab meat;
- Calamari;
- Line fish portions – Hake, Dorado, Kingklip, Yellow Tail;
- Smoked salmon sides and slices;
- Sole;
- Mussels and Clams;
- Fresh fish when available; and
- Various other fish lines.



Company Structure



Reasons for Requiring the BT&R Intervention – Challenges

A financial analysis of GoodFood Enterprise (Pty) Ltd was compiled for the financial years ending February 2019 and February 2020. From the analysis, it is evident that the financial performance of the business declined during the latter period.

The results of the latter period indicated that the business could fail financially. The risk of failure was mainly driven by a decline in profitability, due to a significant drop in sales. Financial performance of the business can be summarised as follows:

- Between 2019 and 2020, the decline in the profitability of the business was driven by a decrease in both the gross and operating profit margins.
- Sales decreased by 14.3% compared to a lower decrease in cost of sales, and labour costs of 13.3% and 7.7% respectively. Overhead costs increased by 20.3%. All this resulted to a negative contribution to the operating profit margin.
- The asset turnover rate increased which indicates that the utilisation of assets improved and had a positive impact on the profitability of the business.
- The cash flow management of the business is ineffective as the company does not have enough liquid assets to run the operations of the business. The working capital of the business may have been managed efficiently and is above the industry norms of 60 days. However, a negative cash cycle time may indicate an inability to pay creditors as they become due.

The business maintains high levels of debt while advancing loans to shareholders during the period under review. To sustain profitability, the following aspects should receive attention:

- The value of sales decreased by 14.3% between 2019 and 2020. The business has a high operational gearing, which means that changes in sales will have a direct impact on the operating profit margin.
- Cost of sales comprised 83.5% of sales during the latter period. Further improvement in the utilisation of materials will have a direct impact on the gross profit and ultimately on profitability of the business.

The cost of labour as a percentage of sales increased to 7.8% during 2020. High labour productivity is a requirement to ensure optimum profitability. Overhead cost comprised 15.6% of sales in 2020. Management should study the overhead cost structure to identify areas where overhead cost can be reduced. Significant overhead cost items are bad debts, computer expenses, depreciation, motor vehicle expenses, municipal expenses and rent expense. Expenses such as computer expenses, depreciation, municipal expenses and rent expense should decrease if sales can be further increased. Bad debts and motor vehicle expenses should be controlled monthly.

The business maintains high levels of debt and is unable to cover its interest obligations as they become due. The debt to asset ratio of over 100% indicates that the business relies on debt to run the operations of the entity. This will result in increased levels of long-term debt thus increasing the financial gearing of the business, further increasing the business risk.

BT&R Strategy

To address the key challenges and concerns identified during the diagnostic assessment, the following interventions were implemented:

- Intervention 1: Strategy – High-level Strategic Plan
- Intervention 2: Marketing – Integrated Marketing Plan
- Intervention 3: Sales – Website

BT&R Involvement/Interventions

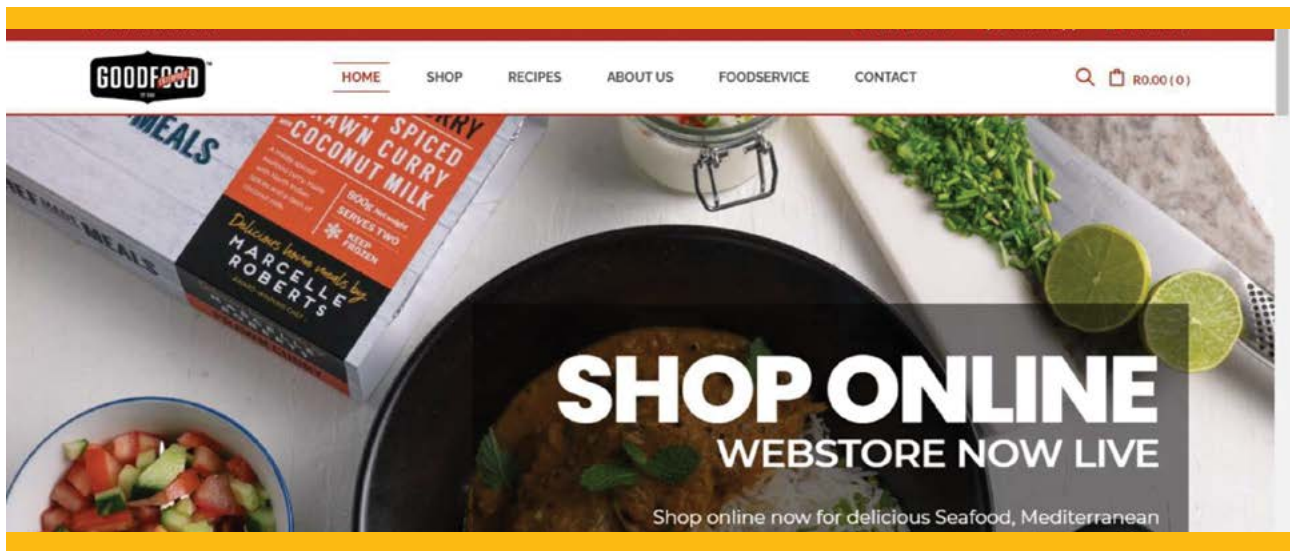
	Issue/Challenge	Intervention	Outcome - Completed
Intervention 1 Strategy High-level Strategic Plan	<p>The business diagnostic conducted indicated that the company experienced challenges around strategic planning.</p> <p>Also, the company lacked a defined action plan over defined short-, medium- and long-term periods.</p> <p>GoodFood was also planning to diversify its offerings through additional product lines like fish and chips to strengthen business to consumer channels.</p>	<p>In this regard it was recommend that a formalised high-level strategy informed by a strategy session was proposed. This encompassed the following:</p> <ul style="list-style-type: none"> • External environmental market analysis; • Internal environmental analysis; • Key strategic levers; • Proposed strategic roadmap; • High level implementation plan; and • Strategic advisory board. 	<p>A strategic plan has been developed for GoodFood Enterprise based on detailed consultations with the company's top management and desktop research.</p> <p>The strategic plan comprises a streamlining of four strategic pillars and a guiding roadmap with proposed time horizons to track implementation and impact.</p>
Intervention 2 Marketing Integrated Marketing Plan	<p>The current analysis indicated the need for increased sales to drive sustainable growth and enable the company to recover from previous losses. The increased channels and segments show the capacity and potential GoodFood has in driving sales revenue. To achieve this, the business requires an integrated marketing plan.</p>	<p>To execute on these diversification initiatives, it was recommended that a formalised high-level marketing plan informed by the newly developed strategy and brainstorming session was proposed. This encompassed the following:</p> <ul style="list-style-type: none"> • Reviewing and analysing the current and emerging trends in the food service (incorporating 19 segments), direct to consumer and retail channels. • Identifying possible collaborations to explore. • Integrating digital marketing and analytics to drive sales growth. • Tactical marketing action plan to implement the above. 	<p>An integrated marketing plan has been developed for GoodFood Enterprise based on detailed consultations with the company's top management and desktop research. The marketing plan comprises a streamlining of four strategic pillars and a guiding roadmap with proposed time horizons to track implementation and impact.</p>
Intervention 3: Sales Website	<p>During engagements it was also noted that the company requires strengthened brand awareness through a structured online presence. To achieve its brand growth (and increased customer traffic), a website review and update was needed</p>	<ul style="list-style-type: none"> • Review of the company's current website; • Assess the linkage between the company's website with current/new digital marketing platforms (Facebook, Instagram, X, WhatsApp etc.); and • Updating company website to capture new initiatives (as per the strategic roadmap and integrated marketing plan). 	<ul style="list-style-type: none"> • Website redesigned; • Improved backend site performance; • Updated website content per page; • Updated product images and service offerings; and • Online – store functionality.

Results

Quantitative Measures	Indicator	Improvement Ratio
GoodFood Key Performance Indicators	Measure/indicator	Ratio Formula
1. Sales Performance	Improve Sales Turnover	40% improvement in sales performance
2. Revenue Streams	Increase new revenue streams contribution	20% increase in new revenue streams
3. Facility Utilisation	Improve tonnage processed in the in-house facility	50% improvement in tonnage processed in facility
4. Employment Growth	Number of employees	20% increase in employment growth

Highlights of the Project

- 40% improvement in sales performance;
- 20% increase in employment growth with seven additional jobs created after implementation of project; and
- New website and online store is attracting new customers.



Project Innovation

Packaging Innovation

- Zero-plastic carton and labels. Fully recyclable
- Better insulation than plastic packaging
- Tamper-proof wrap around overlabel
- Less damages to contents in-transit and in-store
- Easier, neater merchandising – cartons are stackable



Conclusions

GoodFood Enterprise has successfully implemented the BT&R Programme. Employment growth has increased by 20% and sales turnover has increased by 40%. The next step will be for the business to acquire capital and investment for growth.



10. Financial Statements



Statement of Responsibility

Statement of Responsibility of Annual Financial Statements

The Accounting Authority is responsible for the preparation of the Business Turnaround and Recovery (BT&R) Programme, a division of Productivity SA, Annual Financial Statements and for the judgements made in this information. It is responsible for establishing and implementing a system of internal financial control and places considerable importance on maintaining a strong control environment.

In our opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements set out on pages 91 to 105, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2024 and were signed on its behalf by:

Amelia Naidoo

Acting Chief Executive Officer

Report of the Auditor's

Independent Auditor's Report to Funders on Business Turnaround and Recovery, a Division of Productivity SA

Report on the Audit of the Financial Statements

1. We have audited the financial statements of the Business Turnaround and Recovery, a division of Productivity SA set out on pages 91 to 105, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Business Turnaround and Recovery, a division of Productivity SA as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Standards (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.
4. We are independent of the entity in accordance with the Code of professional conduct for auditors of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)*.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Accounting Authority for the financial statements

6. The Accounting Authority, is responsible for the preparation and fair presentation of the financial

statements in accordance with Standards of Generally Recognised Accounting Standards (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the Accounting Authority is responsible for assessing the Entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
11. We selected the following programmes presented in the annual performance report for the year ended 31

March 2024 for auditing. We selected programmes that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Purpose
Programme 3: Business Turnaround and Recovery	The programme focusses on supporting initiatives aimed at preventing job losses as well as providing for turn-around strategies to companies facing economic distress (financial or operational difficulties) which may result in an employer contemplating the dismissal of employees based on its operational requirements.

12. We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
13. We performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
14. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
15. We did not identify any material findings on the reported performance information of Business Turnaround and Recovery of selected subject matters.

Other matter

16. We draw attention to the matters below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

Report on compliance with legislation

18. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the Entity's compliance with legislation. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Other information in the annual report

19. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, the other information does not include the financial statements, the auditor's report and those selected presented in the annual performance report that have been specifically reported in this auditor's report.
20. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

22. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

Lunika Inc.

Lunika Chartered Accountants and Auditors Incorporated

Samkelo Mxunyelwa CA(SA)

Director

Registered Auditor

31 July 2024
Lonehill Office Park
Sandton
Johannesburg

Annexure - Auditor's Responsibility for the Audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statement of Financial Position

as at 31 March 2024

	Note(s)	2024 R	2023 R
Assets			
Current Assets			
Receivables from exchange transactions	3	-	24 888
Receivables from non-exchange transactions		-	41 308 040
Cash and cash equivalents	4	12 988 848	1 050 205
Total Assets		12 988 848	42 383 133
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	2 570 269	610 563
Unspent conditional grants and receipts	6	10 346 536	41 704 012
Provisions	7	72 043	68 558
Total Liabilities		12 988 848	42 383 133
Net Assets		-	-

Statement of Financial Performance

as at 31 March 2024

	Note(s)	2024 R	2023 R
Revenue			
Revenue from Non-exchange Transactions			
Transfer Revenue			
Transfer received		33 047 624	31 891 963
Expenditure			
Employee related costs	8	(9 214 322)	(9 463 117)
Auditor's remuneration	9	(72 043)	(68 558)
Lease rentals on operating lease		(755 433)	(692 435)
Project implementation costs	10	(22 402 519)	(21 233 610)
Operating expenses	11	(603 307)	(434 243)
Total Expenditure		(33 047 624)	(31 891 963)
Surplus for the year		-	-

Cash Flow Statement

for the year ended 31 March 2024

	Note(s)	2024 R	2023 R
Cash Flows from Operating Activities			
Receipts			
Rendering services		24 888	323 766
Transfers received		41 308 040	-
Interest income		1 690 147	-
		43 023 075	323 766
Payments			
Employee costs		(9 214 322)	(9 463 117)
Suppliers of goods and services		(21 870 110)	(22 043 330)
		(31 084 432)	(31 506 447)
Net cash flows from operating activities	12	11 938 643	(31 182 681)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1 050 205	32 232 886
Cash and cash equivalents at the end of the year	4	12 988 848	1 050 205

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2024

	Approved Budget R	Adjustments R	Final Budget R	Actual Amounts on Comparable Basis R	Difference Between Final Budget and Actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from non-exchange transactions						
Transfer revenue						
Transfer received	52 169 000	-	52 169 000	33 047 624	(19 121 376)	15.1
Expenditure						
Employee related costs	(36 890 000)	29 919 000	(6 971 000)	(9 214 322)	(2 243 322)	15.2
Auditors remuneration	(111 000)	41 000	(70 000)	(72 043)	(2 043)	
Lease rentals on operating lease	(573 000)	(194 000)	(767 000)	(755 433)	11 567	
Project implementation costs	(12 207 000)	(26 886 000)	(39 093 000)	(22 402 519)	16 690 481	15.3
Operating expenses	(2 388 000)	(2 880 000)	(5 268 000)	(603 307)	4 664 693	15.4
Total expenditure	(52 169 000)	-	(52 169 000)	(33 047 624)	19 121 376	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	-	-	

Accounting Policies

1. Significant Account Policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of Preparation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (No. 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation Currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.3 Going Concern Assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 7 - Provisions.

1.6 Financial Instruments

Financial Assets

The entity has the following types of financial assets (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Cash and cash equivalents;
- Receivables from exchange transactions; and
- Receivables from non-exchange transactions.

The financial assets are held for collection of cash flows and those cash flows represent the payment of principal. The exchange transactions are measured at amortised cost. Interest income from these financial assets (cash and cash equivalents) is included in finance income.

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

The financial assets of the entity are the regular way purchases and sales of financial assets, which are recognised on the trade date (the date on which the entity commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred

and the entity has transferred substantially all risks and rewards of ownership.

Receivables from Non-exchange Transactions

Receivables from non-exchange transactions, includes unspent grants and receipts, these relate to amounts invoiced where the grant was not received to allocate the invoices against the grant.

Cash and Cash Equivalents

Net cash and cash equivalents included in the Statement of Cash Flows include cash on hand, deposits held on call accounts with the bank.

All financial assets are measured at amortised cost, or cost, are subject to an impairment review.

Impairment of Financial Assets

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

Financial Liabilities

The entity has the following types of financial liabilities (classes and category) as reflected on the of the Statement of Financial Position or in the notes thereto:

Payables from Exchange Transactions

Payables from exchange transactions comprise trade and other payables and are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

1.7 Leases

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Termination benefits are payable when employment is terminated by the entity before the normal retirement

date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits exclude any benefits which are dependent on future service. The entity recognises termination benefits at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets, and involves payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term Employee Benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Provision is made for accumulated leave and for short-term benefits when there is no realistic alternative other than to settle the liability, and there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

1.9 Provisions and Contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus/ (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments as well as future commitments relating to operating leases. Commitments are disclosed in note 17.

1.11 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions takes the form of grants from the UIF.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.12 Budget Information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2023 to 31 March 2024.

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.13 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.14 Events After Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New Standards and Interpretations

2.1 Standards and Interpretations Issued, But Not Yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2024 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected Impact
GRAP 105 Transfer of Functions Between Entities Under Common Control	Not yet determined	Unlikely there will be a material impact
GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet determined	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Receivables from Exchange Transactions

	2024 R	2023 R
Accrued income	-	24 888
Receivables aging is as follows:	-	24 888
0-30 days		

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Bank balances	15 343	4 141
Short-term deposits	12 973 505	1 046 064
Net Assets	12 988 848	1 050 205

5. Payables from Exchange Transactions

Trade payables	1 972 735	-
Accrued leave pay	402 355	349 578
Accrued bonus	99 594	37 227
Accrued expense	95 585	223 758
Net Assets	2 570 269	610 563
Payables aging is as follows:		
0-30 days	2 570 269	610 563

6. Unspent Conditional Grants and Receipts

These are government grants received that will be recognised in future accounting periods. This conditional revenue will be recognised in a future period upon completion of the Business Turnaround and Recovery projects in the 2024/25 financial year.

	2024 R	2023 R
Movement during the year		
Opening balance	41 704 012	31 453 652
Amount invoiced	-	41 308 040
Interest capitalised	1 690 148	834 283
Government grant recognised	(33 047 624)	(31 891 963)
	10 346 536	41 704 012

7. Provisions

	Open Balance R	Additions R	Utilised During The Year R	Total R
Reconciliation of provisions – 2024				
Audit fee	68 558	72 043	(68 558)	72 043
Reconciliation of provisions – 2023				
Audit fee	102 294	68 558	(102 294)	68 558

The provision for external audit fees relates to the audit strategy based on the assumption of future audit fees according to the audit engagement.

8. Employee Related Costs

	2024 R	2023 R
Basic	9 037 863	9 284 308
UIF	38 258	39 675
SDL	85 424	88 795
Leave pay provision charge	52 777	50 339
	9 214 322	9 463 117

9. Auditor's Remuneration

Audit fees–external	72 043	68 558
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10. Project Implementation Costs

	2024 R	2023 R
Support services overheads	86 682	-
Nurturing	1 249 100	1 316 700
Financial assessments	1 436 400	1 778 400
Establish future forums	1 316 700	1 036 100
Capacity building of future forums	539 000	455 000
Capacity building of productivity champions	1 950 000	1 500 000
Develop turnaround strategies	1 795 500	1 567 000
Implementation of turnaround strategies	11 452 943	11 741 521
Close out reports	1 162 800	1 043 100
Travel expenditure	1 055 377	421 114
Marketing and promotions	358 016	374 675
	22 402 519	21 233 610

The BT&R Programme is funded by the UIF in order to contribute to the alleviation of poverty in South Africa by providing support to enterprises facing economic distress and initiatives aimed at preventing job losses. The programme incurs project implementation costs to execute different activities of its projects.

It takes a maximum of 12 months to complete each project from beginning to end, and from the work plan approval to closeout is a maximum of 9 months.

11. Operating Expenses

Bank charges	1 212	1 158
Communications	30 965	50 766
Insurance	10 659	7 493
Other expenses	13 444	-
Printing and stationery	9 538	2 758
Staff welfare	3 162	3 913
Travel – local	386 232	254 127
Utilities	148 095	114 028
	603 307	434 243

12. Cash Generated from/(used in) Operations

Surplus	-	-
Adjustments for:		
Movements in provisions	3 485	(33 736)
Changes in working capital:		
Receivables from exchange transactions	24 888	323 766
Receivables from non-exchange transactions	41 308 040	(41 308 040)
Payables from exchange transactions	1 959 706	(133 131)
Unspent conditional grants and receipts	(31 357 476)	9 968 460
	11 938 643	(31 182 681)

13. Taxation and VAT Exemption

The entity is exempted from income tax in term of Section 10(1)(cN) of the Income Tax Act, No. 58 of 1962. The entity was granted exemption for VAT from July 2005 as its activities no longer comply with the definition of “enterprise” in Section 1 of the VAT Act and the requirement of VAT registration in terms of Section 23 of the same Act. The entity is now included in the amended definition of “public authority” in terms of Section 1 of the VAT Act.

14. Related Parties

Relationships	
Ultimate controlling entity	Productivity SA
Controlling entity	Unemployment Insurance Fund

	2024 R	2023 R
Related party balances		
Amounts included in trade payables		
Unemployment Insurance Fund	10 346 536	41 704 012
Productivity SA	1 962 501	223 757
Related party transactions		
Revenue		
Unemployment Insurance Fund	33 047 624	31 891 963
Expenditure		
Productivity SA	15 261 532	13 190 416

15. Budget Differences

Material Differences Between Budget and Actual Amounts

Budget narrations are included for variations above R100 000.

15.1. Transfers Received

Non-exchange revenue recognised is below the budget. The programme budgeted for R52 million, however, only received the 3rd tranche of R41 million in May 2023 from the R104 million (FY 2020 funding agreement). Unwinding of the grant in actuals is recognised when the work is done to ensure break even. Meetings are being held between BT&R and UIF to align draft to programs' business plan. Some changes proposed were to change agreement period for three to five years, release of tranches annually instead of quarterly, and to charge a management fee to run the fund.

15.2. Employee Related Costs

Employee related costs exceeded the budget as more vacancies were filled to capacitate the programme and Senior Managers recoveries for FY 2024 were misaligned in the budget.

15.3. Project Implementation Cost

Savings is driven by lower project implementation costs. The project implementation costs were budgeted in full, however, a portion of the grant funding was only invoiced a month before the end of the current financial year and this meant less costs were incurred.

15.4. Operating Expenses

There is saving on operating expenses due to delayed spending on travel and subsistence.

Changes from the Approved Budget to the Final Budget

The changes between the approved and final budget are due cost containment strategies implemented throughout the entity inline with the National Treasury cost containment.

16. Risk Management

Financial Risk Management

The entity has a policy and framework on risk management. The strategic risk register is reviewed annually by management. The entity's activities expose it to interest, credit and liquidity risks.

Liquidity Risk

Liquidity risk is the risk that there will be insufficient funds available to settle obligations when they are due.

The entity has a liquidity risk due to deficit cash balances mainly driven by the short-fall in the funding from the grant and related spend. The level of cash balances in the group is monitored weekly and cash generated from operations is reviewed against planned cash flow projections on a monthly basis. In addition, working capital reviews are performed monthly.

Surplus cash is invested in interest-bearing current accounts and time deposits that are expected to readily generate cash inflows for managing liquidity risk.

The programme meets its financial requirements through government grants earned.

At 31 March 2024	Within 1 month
Trade and other payables	2 570 269
At 31 March 2023	Within 1 month
Trade and other payables	610 563

Credit Risk

The entity trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed. There is no significant concentration of credit risk within the entity. With respect to credit risk arising from the other financial assets of the entity, which comprise cash and cash equivalents, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The entity's cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and cash equivalents is low. Trade and other receivables are not rated.

Financial assets exposed to credit risk at year end were as follows:

	2024 R	2023 R
Financial instrument		
Cash and cash equivalents	12 988 848	1 050 205
Receivables from exchange transactions	-	24 888

17. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	781 855	734 756
- in second to fifth year inclusive	1 049 209	1 764 523
	1 831 064	2 499 279

Operating lease payments represent rentals payable by Productivity SA (BT&R Programme) for certain offices occupied at Midrand. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable.

18. Contingencies

There were no contingencies as at 31 March 2024.

19. Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

20. Going Concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The programme is funded by the Unemployment Insurance Fund and a memorandum of agreement has been concluded for the funding for the next three financial years indicating a commitment of R166 million.

21. Events after the Reporting Date

The BT&R Programme could not deliver on two of its three KPIs as the previous funding agreement expired on 6 June 2024 and no transactions could be processed against the remaining funds. The new funding agreement for this financial year and the next two years was finalised on 25 July 2024.

Notes

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